

MEMORANDUM

TO: Audit Committee
Jon Strinden
Ron Leingang

FROM: Jamie Kinsella, Internal Auditor

DATE: August 25, 2009

SUBJECT: **February 18, 2009 Audit Committee Meeting**

In Attendance:

Jon Strinden, via conference call
Ron Leingang
Rebecca Dorwart
Jamie Kinsella
Sparb Collins
Leon Heick

The meeting was called to order at 10:00 a.m.

I. November 19, 2008 Audit Committee Minutes

The audit committee minutes were examined and approved by the Audit Committee.

II. Internal Audit Quarterly Report

- A. Internal Audit Quarterly Report – The Internal Audit quarterly report listed all of the projects that are in active status as of January 31, 2009. There were several items added to the report. These were items that were found on the audit plan for 2007-2009 and never added to the quarterly audit plan status report. There was 1 audit project and 2 other projects that were completed this quarter.

Quarterly Audit Recommendation Status Report – As stated in the Audit Policy #103, the Internal Audit Division is to report quarterly to management and the audit committee the status of the audit recommendations of the external auditors, as well as any found by the internal auditor.

During the past year efforts have been made to ensure that management continues to work on these recommendations. As part of this process, staff reviews these recommendations and their progress at the quarterly Loss Control Committee meetings. Ms. Kinsella reported that three internal audit recommendations should show significant progress by the May meeting. The last recommendation was questioned, which was regarding the IT anti-virus software. It was noted that it was to be completed by December 2008, but there has been no change in the last quarter. This should be done by the next external audit.

III. Administrative

- A. Internal Audit Annual Report for 2008 - Included with the audit committee materials was a copy of the Annual Audit Report for January 1, 2008 through December 31, 2008. The audit committee approved the 2008 Internal Audit Report.
- B. Audit Committee Charter Activity Review – The Audit Committee Charter stated that it will “17. Confirm annually that all responsibilities outlined in this charter have been carried out. Report annually to the Board, members, retirees and beneficiaries, describing the committee’s composition, responsibilities and how they were discharged, and any other information required by rule, including approval of non-audit services.” To meet this requirement a matrix was developed to review against current practices to ensure that the audit committee is meeting its responsibilities. Included with the audit committee materials was a copy of the matrix for the audit committee’s review. A copy of the matrix will also be provided to the NDPERS Board for their information.
- C. Performance Evaluation – It is time for Ms. Kinsella’s performance evaluation. The due date for having these completed is February 28. Mr. Collins discussed the format for Ms. Kinsella’s evaluation with the audit committee.
- D. Audit Committee Meeting Date & Time – The May audit committee meeting is scheduled for May 20, 2009 at 10:00am.

IV. Miscellaneous

- A. Pharmacy Benefits Manager (PBM) Project – Ms. Kinsella conveyed staff had received information from BCBS but due to the BCBS renewal process and legislative bills, staff had not been able to review the material. Ms. Kinsella indicated it was staff’s goal to have this fully initiated during the second quarter of 2009.
- B. Risk Management Report – At the May audit committee meeting, it was determined that a Risk Management Policy for PERS would not be necessary since a Loss Control Committee is in place to manage risk for the agency. At that time It was suggested that the Loss Control Committee provide a copy of the last meeting agenda and the approved minutes. Deb Knudsen, who oversees the Loss Control Committee, will come to the August meeting each year to update the audit committee on the Loss Control Committee, its purpose, and to answer any questions the audit committee may have. Included with the audit committee materials was a copy of the approved meeting minutes for September 2008 and the agenda for the December 2008 meeting.
- C. PERSLink Quarterly Report – Included with the audit committee minutes was the PERSLink quarterly status report. NDPERS is required to file this report with ITD throughout the duration of the system replacement project. This was for information only.

- D. Report on Consultant Fees - According to the Audit Committee Charter, the audit committee should “Periodically review a report of all costs of and payments to the external financial statement auditor. The listing should separately disclose the costs of the financial statement audit, other attest projects, agreed-upon-procedures and any non-audit services provided.” Included with the audit committee materials was a copy of the report showing the consulting, investment and administrative fees paid during the quarter ended December 31, 2008. Mr. Collins indicated that the investment fees are being reviewed and compared to other public pension funds.

- E. Continuing Professional Education – Ms. Kinsella indicated she and Leon attended the IIA Central NoDak’s seminar in December 2008. This seminar provided 16 continuing professional education credits and the topic was Communication and Interpersonal Issues for Auditors and High Impact Auditing.

- F. Publications – Included with the audit committee materials were publications and/or articles from the Institute of Internal Auditors.

The meeting adjourned at 10:40 a.m.