M E M O R A N D U M

TO: Audit Committee
Jon Strinden
Ron Leingang

FROM: Jamie Kinsella, Internal Auditor

DATE: September 15, 2005

SUBJECT: **May 18, 2005 Audit Committee Meeting**

In Attendance:
Jon Strinden via conference call
Ron Leingang
Jamie Kinsella
Sharon Schiermeister

The meeting was called to order at 10:30 a.m.

I. February 16, 2005 Audit Committee Minutes

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

II. Internal Audit Quarterly Report

The internal audit quarterly report was included with the audit committee materials. As of April 25, 2005 there are still two 2004 audits waiting for managements' responses. Staff recommended canceling six fiscal year end 2005 audits from the 2005 annual audit plan. The audit committee approved staff's recommendation.

Mr. Leingang asked if there has been any progress on the Conflict of Interest issue discussed previously. Ms. Allen had requested some information from him. Ms. Kinsella informed him that it will be on the agenda for August 2005.

III. Administrative

A Quarterly Audit Finding 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 findings of the external auditors, as well as any found by the internal auditor. This report includes the recommendations made by Eide Bailly during the 2004 fiscal year end audit. Findings by Internal Audit are included after the final audit report has been issued to management that includes responses to the findings. A copy of the report was included with the audit committee materials.

B. Audit Committee Charter Revision Project – Included with the audit committee materials was the revised Audit Committee Charter that included the changes that were discussed at the last audit committee meeting. The audit committee will need to determine if this document is adequate and if so, approve the new charter. Staff recommended discussing appropriate wording for Section 8 of the Charter or approved the revised Audit Committee charter. By general consensus, the audit committee recommended presenting this to the full NDPERS Board for approval.

C. Audit Committee Charter Matrix – During the last meeting there was some discussion about how to monitor the audit committee's activity/progress toward meeting the requirements of the Audit Committee Charter. Included with the audit committee materials was a draft of a matrix where each item on the charter is listed as an objective, and in the subsequent columns, Steps to Accomplish the Objective, Deliverable, Achieve (Frequency to Date), and Date Completed. Staff inquired if the audit committee felt the matrix was adequate for monitoring the audit committee's activity/progress in meeting their objectives. By general consensus the audit committee approved the charter matrix.

D. Performance Evaluation – The annual evaluation for Ms. Kinsella was tabled until the next meeting.

E. Internal Audit I Position – Ms. Kinsella indicated that Ms. Stuber left the Internal Audit Division effective April 8, 2005. The position was posted in the newspaper and with Job Service for two weeks. As a result of that posting, 7 applications were received. Of the seven, one did not need the application requirements, and four of the six remaining were selected for interviews. Two of the candidates were interviewed and are currently undergoing reference checks.

IV. Miscellaneous

A. August 2005 Audit Committee Meeting Date and Time – The next audit committee meeting will be held on Wednesday, August 17, 2005 at 10:30am in the NDPERS Conference room, Wells Fargo Bank Building.

B. Eide Bailly's Audit Schedule – Eide Bailly LLP scheduled their preliminary audit work for the week of June 13, 2005, and will return August 29-September 2 to conduct their field work. The audit manager from last year has left Eide Bailly. The audit team will only have 1 person returning from last year. Ms. Schiermeister indicated that there has been no continuity with Eide Bailly which may be affecting their value added services because each year they have to familiarize themselves with PERS, instead of being able to expand their testing. Ms. Kinsella indicated that the Internal Audit division will not have the audit workpapers available this year as in the past due to Ms. Stuber leaving when they were going to start the audits for fiscal year 2005. Ms. Schiermeister indicated this may result in Eide Bailly requesting an increase in fees.

C. Tone at the Top – A copy of the March 2005 issue of Tone at the Top was included in the audit committee materials for information only.

The meeting adjourned at 11:30 a.m.