

## MEMORANDUM

**TO:** Audit Committee  
Jon Strinden  
Arvy Smith  
Rebecca Dorwart

**FROM:** Jamie Kinsella, Internal Auditor

**DATE:** March 27, 2013

**SUBJECT:** **February 20, 2013 Audit Committee Meeting**

In Attendance:  
Jon Strinden  
Rebecca Dorwart,  
Arvy Smith  
Jamie Kinsella  
Sparb Collins  
Sharon Schiermeister  
Julie McCabe

The meeting was called to order at 10:05 a.m.

### **I. November 21, 2012 Audit Committee Minutes**

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

### **II. Internal Audit Reports**

- A. Quarterly Audit Plan Status Report – A summary of the audit staff time for the past quarter was included with the audit committee materials. Staff is almost caught up with refunds and will do benefits next. The fixed asset inventory was completed in a timely fashion with results reported to management. To date there are four universities done with the Group Insurance Aging Accounts Receivable Reconciliation Project and there are 10 more universities remaining.
- B. 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. A copy of the report was included with the audit committee materials. There were five new recommendations from Brady Martz; two are carryovers, which were already on the report, and three new recommendations were added.

- C. Benefit/Premium Adjustments Report – The quarterly benefit adjustment report was provided to the audit committee. The report is in two sections, Retirement and Insurance. The forms have been combined into one report and sorted by PERSLink IDs, so if a member had multiple forms they will be together.

This report has 1 retirement and 3 health adjustments.

- D. Internal Audit 2012 Report – The Internal Audit Report for 2012 was brought to the board for review and approval. The report was approved and signed by Jon Strinden and Jamie Kinsella.
- E. Audit Committee Charter Activity Review – There is one item we added at the last review (page 10) that we did not accomplish this year. Ms. Kinsella put a reminder on her calendar and agenda to remember this item next year. There was discussion that followed and two changes will be made and then the report will be provided to the board for their information.

### III. Administrative

- A. Audit Committee Meeting Date & Time – The next audit committee meeting is scheduled for May 15, 2013 at 10:00 a.m.
- B. Internal Auditor II Position – An offer of employment was made and accepted by Julie McCabe. Ms. McCabe worked at the Bank of North Dakota for 23 years in their Internal Audit Division. She is a certified internal auditor and brings with her a wealth of auditing knowledge that will benefit NDPERS. Ms. McCabe started her employment with NDPERS on January 1, 2013.
- C. Confidential Meeting between Internal Audit and Audit Committee – The standards for the Professional Practice of Internal Auditors Practice Advisory 1110-1 on Independence and Objectivity states, in part: "...involves the board...Receiving communications from the CAE...including private meetings with the CAE without management present..." Also, the charter states "The Audit Committee shall have direct communication with the Internal Auditor, have the Internal Auditor attend all meetings...and meet privately with the Internal Auditor at least annually."

The meeting scheduled to take place in February of each year between the audit committee and the internal audit division was held.

### IV. Miscellaneous

- A. Travel Expenditures Update – Attached was a report incurred by the Board and/or Executive Director for out of state travel submitted from November 1, 2012 through January 31, 2013. This was for informational purposes.
- B. Risk Management Report – The Loss Control Committee will provide quarterly to

the Audit Committee a copy of the Loss Control Committee's agenda from their last meeting as well as the approved minutes. Copies of the September 12, 2012 meeting and the agenda for the December 5, 2012 meeting were provided to the audit committee.

- C. 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." Attached was a copy of the report showing the actuary/consulting audit, legal, investment and administrative fees paid during the quarter ended December 31, 2012.

Meeting adjourned at 10:40 a.m.

## MEMORANDUM

**TO:** Audit Committee  
Jon Strinden  
Arvy Smith  
Rebecca Dorwart

**FROM:** Jamie Kinsella, Internal Auditor

**DATE:** May 31, 2013

**SUBJECT:** **May 15, 2013 Audit Committee Meeting**

In Attendance:

Jon Strinden  
Arvy Smith  
Jamie Kinsella  
Sparb Collins  
Julie McCabe

The meeting was called to order at 10:02 a.m.

**I. February 20, 2012 Audit Committee Minutes**

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

**II. Internal Audit Reports**

- A. Quarterly Audit Plan Status Report – A summary of the audit staff time for the past quarter was included with the audit committee materials. In addition to the time spent on program related activities, there has been more training than usual, which included training on performance evaluations and seminars/webinars for continuing education.
- B. 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. A copy of the report was included with the audit committee materials. It was noted that item 12-01 was overlooked so there is no update.
- C. Benefit/Premium Adjustments Report – The quarterly benefit adjustment report was provided to the audit committee. The report is in two sections, Retirement and Insurance. The forms have been combined into one report and sorted by PERSLink IDs, so if a member had multiple forms they will be together.

This report has 1 retirement and 12 health adjustments.

There may be more retiree adjustments in future reports as we have found benefit errors during audits; therefore the auditors will be meeting with managers to determine how these weaknesses can be addressed.

### III. Administrative

- A. Audit Committee Meeting Date & Time – The next audit committee meeting is scheduled for August 21, 2013 at 10:00 a.m.
- B. Performance Evaluations – Performance Evaluations are being conducted and the goal is to have them all completed by the end of May. The Audit Committee approved the same process as used in prior years but the annual reviews will be delayed to the first week in June due to Arvy's absence.
- C. Risk Assessment – Prior to PERSLink Internal Audit had set a goal to conduct an enterprise risk assessment every four years. This assessment was due to be completed the first quarter of fiscal year 2012, but due to shortage of resources this goal was unable to be accomplished. Internal Audit's current goal is to evaluate best practices and determine how we can apply them to our existing risk management framework.

Internal Audit is planning to evaluate their risk assessment methodology and refine their current process early in the second quarter of 2014.

### IV. Miscellaneous

- A. External Auditors – Brady Martz and staff are scheduled to conduct their preliminary audit work the week of June 24<sup>th</sup> through June 28<sup>th</sup>. They will return again August 26<sup>th</sup> through September 6<sup>th</sup>, 2013 to complete their field work.
- B. Travel Expenditures Update – There were no travel expenditures incurred by the Board and/or Executive Director for out-of-state travel submitted from February 1, 2013 through April 30, 2013.
- C. Risk Management Report – The Loss Control Committee will provide quarterly to the Audit Committee a copy of the Loss Control Committee's agenda from their last meeting as well as the approved minutes. Copies of the December 5, 2012 meeting and the agenda for the March 13, 2013 meeting were provided to the audit committee. It was noted that the first sentence of the memo in the materials referred to "May" meeting. The question was, "Since this was a May meeting, which May does this refer to?" We will research and report at the next meeting.
- 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.” Attached was a copy of the report showing the actuary/consulting audit, legal, investment and administrative fees paid during the quarter ended March 31, 2013. It was noted that the year to date column was on a calendar year and it should be fiscal year. This will be followed up with staff.

- E. Publications – The February 2013 and April 2013 publications of the Tone at the Top were provided to the Audit Committee for their perusal.
- F. Webinars and CPE's – Ms. Kinsella and Ms. McCabe have been participating in the free Webinars that the Institute of Internal Auditors provide for their members. Each 1 hour webinar provides 1 hour of continuing professional education credits. To date, the internal auditors have attended six webinars. These webinars are held during the lunch hour so the internal auditors remain available to staff during normal business hours.

In addition, the internal auditors attended a webinar that was held for IIA members who are also members of a specialty group called “Financial Services.” The internal auditors will not receive credit for this webinar, but they feel it is important to join this specialty group next year as it also provides additional resources for them.

Meeting adjourned at 10:40 a.m.

## MEMORANDUM

**TO:** Audit Committee  
Jon Strinden  
Arvy Smith  
Rebecca Dorwart

**FROM:** Jamie Kinsella, Internal Auditor

**DATE:** October 2, 2013

**SUBJECT:** **August 14, 2013 Audit Committee Meeting**

In Attendance:  
Jon Strinden  
Arvy Smith  
Jamie Kinsella  
Sparb Collins  
Julie McCabe

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

### **I. May 15, 2012 Audit Committee Minutes**

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

### **II. Internal Audit Reports**

- A. Quarterly Audit Plan Status Report – A summary of the internal audit staff time spent for the past quarter was included with the audit committee materials.
- B. 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. A copy of the report was included with the audit committee materials with updates as of July 31, 2013.
- C. Benefit/Premium Adjustments Report – The quarterly benefit adjustment report was provided to the audit committee. The report is in two sections, Retirement and Insurance. This report has 7 retirement and 6 health adjustments. There was discussion that followed.

### **III. Administrative**

- A. Audit Committee Meeting Date & Time – The next audit committee meeting is scheduled for December 5, 2013 at 10:00 a.m.

- B. Risk Assessment – Prior to PERSLink Internal Audit had set a goal to conduct an enterprise risk assessment every four years. This assessment was due to be completed the first quarter of fiscal year 2014, but due to shortage of resources this goal was unable to be accomplished. Internal Audit’s current goal is to evaluate best practices and determine how we can apply them to our existing risk management framework.

Internal Audit is planning to evaluate their risk assessment methodology and refine their current process early in the second quarter of 2014.

This project has not been started due to the time it has taken to wrap up the fiscal year end 2013 Retirement Benefits and Refund Audit, start the FY 2014 Retirement Benefits and Refund Audit, and conduct the audit work for Brady Martz. The auditors are hoping to be able to do some work on this project in September. There was discussion that followed regarding the format of the risk assessment.

#### IV. Miscellaneous

- A. External Auditors – Brady Martz and staff conducted their preliminary audit work the week of June 24<sup>th</sup> through June 28<sup>th</sup>. They will return again August 26<sup>th</sup> through September 6<sup>th</sup>, 2013 to complete their field work. The auditors are finishing up the testing for Brady Martz the week of August 14<sup>th</sup> and should be ready for them the week of August 19<sup>th</sup>.

Sharon Schiermeister and Jim Smrcka have been hard at work getting financial information up to date for the auditors. All but retirement will be ready for the auditors. Discussion followed regarding future GASB changes. It was suggested to have Brady Martz do a presentation on GASB 67 and 68 at the December meeting.

- B. Travel Expenditures Update – There were no travel expenditures incurred by the Board and/or Executive Director for out-of-state travel submitted from May 1, 2013 through July 31, 2013.
- C. Risk Management Report – The Loss Control Committee will provide quarterly to the Audit Committee a copy of the Loss Control Committee’s agenda from their last meeting as well as the approved minutes. Copies of the March 13, 2013 meeting and the agenda for the June 6, 2013 meeting were provided to the audit committee.
- 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.” Attached was a copy of the report showing the actuary/consulting audit, legal, investment and administrative fees paid during the quarter ended June 30, 2013. This report was changed to

fiscal year to date as requested.

- E. Publications – The June 2013 publications of the Tone at the Top were provided to the Audit Committee for their perusal.
- F. Webinars and CPE's – Ms. Kinsella and Ms. McCabe have been participating in the free Webinars that the Institute of Internal Auditors provide for their members. Each 1 hour webinar provides 1 hour of continuing professional education credits. The internal auditors have attended four webinars from March 1, 2013 through July 30, 2013. These webinars are held during the lunch hour so the internal auditors remain available to staff during normal business hours.

In addition, the internal auditors attended a two day Excel seminar in Bismarck to enhance their skills using Excel.

Meeting adjourned at 10:45 a.m.

## MEMORANDUM

**TO:** Audit Committee  
Jon Strinden  
Arvy Smith  
Rebecca Dorwart

**FROM:** Jamie Kinsella, Internal Auditor

**DATE:** January 27, 2014

**SUBJECT:** **December 19, 2013 Audit Committee Meeting**

In Attendance:

Jon Strinden – via call  
Arvy Smith  
Jamie Kinsella  
Sparb Collins  
Sharon Schiermeister  
Julie McCabe  
Rebecca Fricke  
John Mongeon  
Stacy DuToit

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

**I. August 21, 2013 Audit Committee Minutes**

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

**II. Internal Audit Reports**

- A. Quarterly Audit Plan Status Report – A summary of the internal audit staff time spent for the past quarter was included with the audit committee materials. The number of errors are decreasing in the monthly benefits and refund payments, and we are going to increase the population for testing in the months that have smaller number of retirees retiring.
- B. FY 2013 Retirement Benefits and Refunds Executive Summary Reports – The Executive Summary Reports from the FY 2013 Retirement Benefits and Refunds Audits were provided to the board for their information.
- C. 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.

There are four carry overs from the previous quarter, one of which is a report in this year's management letter. There are six new recommendations from Brady Martz. There are ten new recommendations from Internal Audit of which two are completed, one is 80% completed, one is 25% in progress and two are 10% in progress.

- D. Benefit/Premium Adjustments Report – The quarterly benefit adjustment report was provided to the audit committee. The report is in two sections, Retirement and Insurance. This report has 8 retirement and 5 health adjustments.

While doing research for the board two reports were found in PERSLink that will be investigated further to determine if it can be an additional tool to use in tracking adjustments. One is called the "Premium Adjustment Receivable" and the other is "Payee Receivable Report". The first is not reporting correctly so it will need to be fixed. Whether the second report is reporting correctly is yet to be determined.

- E. Internal Audit Plan for 2014-2015 – A copy of the Internal Audit Plan for the 2014-2015 calendar year was given to the board for review.

### **III. Administrative**

- A. Audit Committee Meeting Date & Time – A schedule for 2014 was reviewed and agreed upon. The next audit committee meeting is scheduled for February 19, 2014 at 10:00 a.m.
- B. Risk Assessment – Prior to PERSLink Internal Audit had set a goal to conduct an enterprise risk assessment every four years. This assessment was completed in November. A copy of the Risk Management Methodology was given to the board for their information.
- C. Job Service – Early in October Internal Audit was asked to work with MaryJo Steffes, Benefits Administrator, on the Job Service (JS) 2013 COLA increases. Staff found issues with benefits during the 2013 COLA project which they want to review to ensure the payee's benefits were correct. The audit committee agreed Internal Audit should look at remaining records and determine if benefits are correct.

### **IV. Miscellaneous**

- A. Brady Martz & Associates Meeting with the Audit Committee – Item 13 of the Audit Committee Charter states in part: The AC will, on a regular basis, meet separately with the external financial statement audit firm to discuss any matters that the committee or auditors believe should be discussed privately (subject to open meeting laws). There was discussion on this subject.
- B. Brady Martz & Associates FY 2013 Audit Report Presentation – John Mongeon and staff were at the audit committee meeting to present the FY 2013 audit report.

- C. Brady Martz & Associates Presentation on GASB Updates – As requested by the Audit Committee, Brady Martz presented GASB updates that will impact NDPERS. There was concern about staffing to deal with new GASB Standards 67 & 68 for government pension plans. This was noted by staff and will be addressed.
- D. Travel Expenditures Update – There was a worksheet presented to the board with travel expenditures incurred by the Board and/or Executive Director for out-of-state travel submitted from August 1, 2013 through October 31, 2013.
- E. Risk Management Report – The Loss Control Committee will provide quarterly to the Audit Committee a copy of the Loss Control Committee’s agenda from their last meeting as well as the approved minutes. Copies of the June 6, 2013 meeting and the agenda for the September 17, 2013 meeting were provided to the audit committee.
- F. 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.” Attached was a copy of the report showing the actuary/consulting audit, legal, investment and administrative fees paid during the quarter ended September 30, 2013. This report was changed to fiscal year to date as requested.
- G. Administrative Rules - Per Item 15 of the Audit Committee Charter: The AC will monitor changes and proposed changes in law, regulations and rules affecting the organization. Information was provided to the board in regard to this administrative rule.
- H. Publications – The August and October 2013 publications of the Tone at the Top were provided to the Audit Committee for their perusal.
- I. Webinars and CPE’s – Ms. Kinsella and Ms. McCabe have been participating in the free Webinars that the Institute of Internal Auditors provides for their members. Each 1 hour webinar provides 1 hour of continuing professional education credits. The internal auditors have attended five webinars from August 1, 2013 through October 31, 2013. These webinars are held during the lunch hour so the internal auditors remain available to staff during normal business hours.

In addition, the internal auditors attended a two day “Rev Up Your Performance” seminar in Bismarck that dealt with change, getting closer to your stakeholders and managing conflict.

Meeting adjourned at 11:35 a.m.