

MEMORANDUM

TO: Audit Committee
Jon Strinden
Arvy Smith
Rebecca Dorwart

FROM: Jamie Kinsella, Internal Auditor

DATE: September 2, 2014

SUBJECT: **August 20, 2014 Audit Committee Meeting**

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

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

I. May 21, 2014 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. FY 2014 Retirement Benefits & Refunds Executive Summary Reports – The Executive Summary Reports from the FY 2014 Retirement Benefits & Refunds Audit was brought to the board for their information.
- C. Audit Recommendations 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. The Internal Audit recommendations will be added to this report for November. In addition, target implementation dates were not updated for a few items.
- 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 five retirement and four health adjustments for this quarter.

- E. Job Service Update – The adjustments to the members’ benefits on July 1, 2014 for the 1st Year COLA and Uniform Income errors that were found have been completed. However, during the course of our regular monthly audit, some questions arose regarding how the sick leave purchase was calculated. This led to other issues which include Sick Leave Balances, Alternate Payee Uniform Income, Correct Straight Life and Year Term Certain Formula which was not provided to the vendor, Joint & Survivor factor for contingent beneficiaries with more than 10 years difference in age is not included in formula, and finally, staff has requested a test run to verify that the COLA increase will calculate correctly. This will require additional time from Internal Audit through the end of the year 2014.

III. Administrative

- A. Audit Committee Meeting Date & Time – The next audit committee meeting is scheduled for November 19, 2014 at 10:00 a.m.
- B. Audit Committee Charter Revision Proposal – At the last audit committee meeting a proposed revised Audit Committee charter was provided for review as there had been significant updates to the Audit Committee Charters examples provided by both the Association of Public Pension Fund Auditors and the Institute of Internal Auditors. A special audit committee meeting was scheduled for August 29, 2014 to discuss the Audit Committee Charter.

IV. Miscellaneous

- A. External Audit Update – Brady Martz will be in the NDPERS office the weeks of August 25th through September 5th to complete their fieldwork.

A new contract with Brady Martz outlining their audit procedures they will undertake as a result of additional work required to comply with the provision of GASB Statement No. 68 was received. Brady Martz does not anticipate the fee for these additional services to exceed \$75,000. Discussion followed.
- 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, 2014 through July 31, 2014.
- 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 March 24, 2014 meeting and the agenda for the June 24, 2014 meeting were provided to the audit committee. Deb Knudsen provided a report of the past year’s activities.
- 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.” A copy of the report showing the actuary/consulting audit, legal, investment and administrative fees paid during the quarter ended June 2014 were provided to the audit committee. Discussion followed. Mr. Collins will be following up with the NDPERS board.

- D. Publications – The June 2014 publication 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 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 seven webinars from May 1, 2014 through July 31, 2014. These webinars are held during the lunch hour so the internal auditors remain available to staff during normal business hours.

Meeting adjourned at 11:05 a.m.

MEMORANDUM

TO: Audit Committee
Jon Strinden
Arvy Smith
Rebecca Dorwart

FROM: Jamie Kinsella, Internal Auditor

DATE: September 2, 2014

SUBJECT: **August 29, 2014 Audit Committee Meeting**

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

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

I. Audit Committee Charter

The meeting was called to review the Audit Committee Charter. Changes were reviewed and additional changes made. The final draft will be provided at the next Audit Committee Meeting in November for final approval.

Meeting adjourned at 10:35 a.m.