

MEMORANDUM

TO: Audit Committee
Jon Strinden
Arvy Smith
Rebecca Dorwart

FROM: Jamie Kinsella, Internal Auditor

DATE: May 30, 2014

SUBJECT: **May 21, 2014 Audit Committee Meeting**

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

The meeting was called to order at 11:05 a.m.

I. February 19, 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. 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. Two were completed, progress was made on seven, and no change on eight recommendations.
- 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 four retirement and 35 health adjustments.

III. Administrative

- A. Audit Committee Meeting Date & Time – The next audit committee meeting is scheduled for August 20, 2014 at 10:00 a.m.
- B. Audit Committee Charter Revision Proposal – At the last audit committee meeting it was noted during the review of the Audit Committee 2013 activities that 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. The last time our charter was updated was September 2008 so a comparison was made between the revised versions and our current charter to determine whether our charter should be updated. A copy of the original document, a copy with the tracked changes, as well as a copy of the final result was provided to the audit committee. There was discussion as to whether the charter should be updated and how often. The Audit Committee requested that a word document be sent to them with the track changes and comments to what was changed and why. This will carry over to the August meeting.
- C. Annual Performance Evaluation – Annual reviews are being done and the goal is to have them all completed by June 20th. Mr. Collins would like to use the same approach for Ms. Kinsella's review as has been done in past. The audit committee agreed to this methodology.
- D. Job Service Update – At the December 2013 audit committee meeting the audit committee was given an update on the COLA review conducted last October, and as a result of that review, there was a 1st year COLA calculation error for a few retirees. At that time the audit committee was asked whether Internal Audit should pursue looking into the matter further, and the audit committee agreed that they should. In February Internal Audit reported to the audit committee that there were additional members with the 1st year COLA calculation error, but that there were retirees who had continuing COLA increases on Uniform Income that had ended, which was not consistent with Job Service practices prior to PERSLink.

In April the Board approved a motion to make adjustments to the Job Service members' benefits effective June 1, 2014 due to COLA increases on Uniform Income benefits. When reviewing the adjustments, it was discovered the COLA was not increased for future benefit payments for group of retirees refunded on April 1st for incorrect 1st year COLA calculations. With discovery of this error, it was recommended to the board that more time be provided to thoroughly examine each group of adjustment types so we can ensure that the adjustments are done correctly, and we are following through with all aspects of the adjustments.

IV. Miscellaneous

- A. External Audit Update – In March Ron Tolstad, State Auditor's Office, Connie Flanagan, RIO, Rachel Ridl, Office of Management & Budget, John Mongeon, Brady Martz, Thomas Rey, Clifton Larson Allen, and Jason Ostroski, Katie Moch

and Holly Engelhart came to NDPERS to discuss the GASB 68 changes and how it will impact the external auditors and employer reporting.

Brady Martz is scheduled to visit the NDPERS office the week of June 16th to conduct their preliminary audit work. They will return on August 25th through September 5th to complete their fieldwork.

- 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, 2014 through April 30, 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 December 3, 2013 meeting and the agenda for the March 24, 2014 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.” A copy of the report showing the actuary/consulting audit, legal, investment and administrative fees paid during the quarter ended December 2013 and March 2014 were provided to the audit committee.

- D. Publications – The February and April 2014 publications of the Tone at the Top were provided to the Audit Committee for their perusal.

- E. 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 eight webinars from February 1, 2014 through April 30, 2014. These webinars are held during the lunch hour so the internal auditors remain available to staff during normal business hours.

Meeting adjourned at 11:47 a.m.