

**North Dakota
Public Employees Retirement System**

1600 East Century Avenue, Suite 2 • PO Box 1657
Bismarck, North Dakota 58502-1657

Scott Miller
Executive Director
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MEMORANDUM

TO: Audit Committee
Adam Miller
Tyler Erickson
Nina Sand
Scott Miller
Derrick Hohbein
Rebecca Fricke
Dean DePountis
Shannon Ennen

FROM: Shawna Piatz, Chief Audit Officer

DATE: Monday August 14, 2023

SUBJECT: **August 14, 2023 Audit Committee Meeting**

In Attendance:

Mona Rindy
Adam Miller
Nina Sand
Joe Morrissette
Dean DePountis
Shawna Piatz
Shannon Ennen
Scott Miller
Rebecca Fricke
Derrick Hohbein

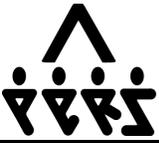
The meeting was called to order at 3:00 p.m. by Ms. Rindy.

I. Conflict of Interest Disclosure

A. Allyson Hicks from the Attorney General’s Office advised ND PERS that this will need to be on the agenda every meeting for the Board to consider any conflict of interest disclosures received concerning any of the agenda topics. Allyson will be at the August 15, 2023 Board meeting to present on the State Government Ethics code and review the conflict of interest disclosure form.

II. Approval of prior Audit Committee Minutes

Group Insurance	Retirement Plans	Other Programs
Health & Life	Public Employees	Flexible Spending Account (FlexComp)
Dental & Vision	Law Enforcement	Retiree Health Insurance Credit (RHIC)
	Public Safety	Employee Assistance Program (EAP)
	Judges	
	Job Service	
	Highway Patrol	



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- A. The Audit Committee minutes from the prior Audit Committee meeting held on May 8, 2023 were examined. Mr. Morrisette moved approval of the minutes. The motion was seconded by Mr. Miller. This was followed and approved by voice vote.

III. Internal Audit Reports

- A.. Quarterly Audit Plan Status Report – A summary of the Internal Audit staff time spent for the past quarter along with a status update on each area of the 2022 – 2023 Audit Plan was included with the Audit Committee materials. Of the total hours reported, 37.92% was spent in audit, 8.71% in consulting, and 53.37% in administrative hours. The general hours were spent training new Internal Auditor staff and on legislation and other various meetings. The audit hours were spent on the monthly retirement program audit, Pop-up Benefit verifications, the Sanford and Humana Claims Audit, and the Service Purchases Audit. The consulting hours were attributable to a number of clean-up projects, PIR testing, the external PBM audit, HR/staffing support and various reviews and reconciliations for the Benefits and Accounting divisions.

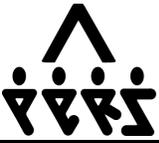
- B. Retirement Benefit Payment Status Report – Information was provided to the Audit Committee, which summarizes the accuracy percentages of the new monthly retirement benefit and refund payments. The report shows the number of new retirees or refunds each month, the total number of new retirees or refunds audited and whether issues identified were procedural, system or compliance issues.

In fiscal year 2023, to date a total of 604 out of 1052 new retirees were audited, which equates to \$2,726,999 of \$4,564,350 being audited. An internal calculation accuracy rate of 87.09% was achieved fiscal year to date as of June 2023 for new retirement benefit payments, which is below the 97% goal. The fiscal year to date compliance/other accuracy rate is 94.7% resulting in an overall accuracy rate of 81.79% for FY 2023.

In fiscal year 2024, to date a total of 55 out of 92 new retirees were audited, which equates to \$190,370 of \$307,232 being audited. An internal calculation accuracy rate of 100% was achieved fiscal year to date as of July 2023 for new retirement benefit payments, which is above the 97% goal. The fiscal year to date compliance/other accuracy rate is 98.18% resulting in an overall accuracy rate of 98.18% for FY 2024.

In fiscal year 2023, to date a total of 129 of the 2,145 refunds issued were audited, which equates to \$5,163,905 of \$19,133,055. An internal calculation accuracy rate of 91.47% was achieved fiscal YTD as of June 2023 for retirement refunds. This falls below the 97% accuracy rate goal. The fiscal year to date compliance/ other accuracy rate is 98.45% resulting in an overall accuracy rate of 89.92% for FY 2023. A limited number of retirement refunds were audited and a portion of the sample continues to be focused on those refunds in which a known system issue

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is likely to have occurred.

In fiscal year 2024, to date a total of 16 of the 182 refunds issued were audited, which equates to \$412,557 of the \$2,003,716. An internal calculation accuracy rate of 81.25% was achieved fiscal YTD as of July 2023 for retirement refunds. This falls below the 97% accuracy rate goal. The fiscal year to date compliance/ other accuracy rate is 87.50% resulting in an overall accuracy rate of 68.75% for FY 2024. A limited number of retirement refunds were audited and a portion of the sample continues to be focused on those refunds in which a known system issue is likely to have occurred.

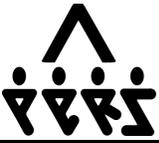
- C. Service Purchase Audit - Internal Audit has completed the audit on the NDPERS Service Purchases. The purpose of this audit was to ensure service purchases were completed with adherence to rules, regulations, policies and procedures. A sample of 122 purchases from a total population of 12,312 purchases from January 2011 through August 2022 were reviewed focusing on purchases made in 2019 through 2022. Findings were presented to the Audit Committee for review.
- D. Benefit/Premium Adjustments Report – The quarterly benefit adjustment report was provided to the Audit Committee. The report is in several sections, each representing the type of corrections. The dollar amount and the number of errors has increased slightly over the last quarter. There were 24 adjustments that were new this quarter and 18 previously reported adjustments remain outstanding. The new adjustments were due to the untimely notification of changes in membership status or information, system programming errors and processing errors.
- E. Outstanding Issues Status Report – The Outstanding Issues Status report has been updated to reflect new and outstanding issues as of July 31, 2023. There were sixteen existing recommendation with no change and thirty new recommendations added to this report. Staff continue to be proactive about addressing recommendations as they are made. Any recommendations made in the previous quarter that have already been addressed would not be included in this report.

Staff requested that at the November 13, 2023 Audit Committee meeting, a discussion be held for the new Internal Audit Division Annual Plan expectations and scope of work for the upcoming year.

IV. Administrative

- A. Audit Committee Members Update – Per the Audit Committee Charter, “The audit committee will consist of two to five members with the majority of the members selected from the Board of Directors, and one may be selected from outside the organization. The Board or its nominating committee will appoint committee members and the committee chair. The Board should attempt to

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appoint committee members who are knowledgeable and experienced in financial matters, including the review of financial statements.” With the departure of Julie Dahle (external member), Dirk Wilke and Jason Grueneich left three positions on the committee open. At the July Board meeting, the Board appointed Joe Morrissette and Nina Sand (external) to serve on this committee.

- B. Audit Committee & Internal Charter Updates – The Audit Committee Charter was established in 1993 and last updated in 2014. The Committee has reviewed and provided suggested updates to both the Audit Committee Charter and the Internal Audit Charter. These updates were provided to the Board during the June 2023 meeting for their review and approval. Both Charters were approved as edited and to their final versions. These will be presented at the February Audit Committee Meeting for their signatures.
- C. Audit Committee Charter Matrix – In order to confirm all responsibilities outlined in the Audit Committee Charter are carried out annually, a matrix was developed to review each objective quarterly and ensure that the Audit Committee is meeting its responsibilities. The matrix was reviewed and discussed for progress and activities completed through July 2023.
- C. Internal Audit Charter Matrix – A summary matrix of the progress made and activities completed by the Internal Audit division through July 2023 was presented to the Audit Committee for review.

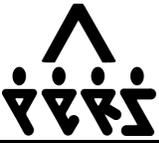
V. Miscellaneous

- A. 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.”

Due to previous discussions with the Audit Committee these reports have not been reviewed for the prior year but will be reviewed again going forward. A summary of the consulting, investment and administrative fees paid during the prior fiscal year ended June 2023 was provided for review.

- B. Travel Expenditures – There were out-of-state travel expenditures incurred by the Board or Executive Director for the period of May 1, 2023 through July 31, 2023. This was provided for the Audit Committee’s information.
- C. CPE, Training and Webinars – A report on the training and education, including continuing professional education (CPE) webinars and seminars Internal Audit participated in for the period May 1, 2023 through July 31, 2023 was provided to the committee for their review.
- D. Audit Committee Meeting Dates & Times – The next Audit Committee meeting is

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scheduled for November 13, 2023 at 2 pm. It will be held both in person and with an option for virtual attendance.

The meeting adjourned at 4:44 p.m, by Ms. Rindy.

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