



**North Dakota
Public Employees Retirement System**

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MEMORANDUM

TO: Audit Committee
Joe Morrissette
Adam Miller
Tyler Erickson
Nina Sand
Senator Dick Dever
Rebecca Fricke
Derrick Hohbein
Dean DePountis
Shannon Ennen

FROM: Shawna Piatz, Chief Audit Officer

DATE: Monday August 19, 2024

SUBJECT: **August 19, 2024 Audit Committee Meeting**

In Attendance:

Joe Morrissette
Senator Dick Dever
Adam Miller
Tyler Erickson
Nina Sand
Dean DePountis
Shawna Piatz
Shannon Ennen
Rebecca Fricke
Derrick Hohbein
Jason Ostroski (CPA UHY)

The meeting was called to order at 3:01 p.m. by Mr. Morrissette

I. Conflict of Interest Disclosure

- A. Conflict of interest disclosures concerning any of the agenda topics were considered. No conflicts of interest were disclosed.

II. Approval of prior Audit Committee Minutes

- A. The Audit Committee minutes from the prior Audit Committee meeting held on May 13, 2024 were examined. Senator Dever moved approval of the minutes. The motion was seconded by Mr. Miller. This was followed and approved by voice vote.

III. Presentations

- A. UHY FY 2024 Audit Kickoff Presentation – Jason Ostroski, CPA from UHY provided



information for the ND PERS FY 2024 financial audit. Engagement of the Scope is to audit the NDPERS financial statements, Schedules of Employer Allocations and Pension Amounts by Employer, Report on Internal Controls and Compliance and Written Communications with the Governance as of June 30, 2024.

IV. Internal Audit Reports

- A. Quarterly Audit Plan Status Report – Information was provided of the past quarter's activity May 1, 2024 through July 31, 2024. Internal Audit spent 48.14% of their time on audit activities and 15.84% on consulting services. The remaining 36.02% of their time was spent on administrative items.
- 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.

As of June 1, 2024, 501 of the 1,106 new retirees or \$1,782,088 of the \$3,923,039 total gross benefits issued have been audited. The fiscal year-to-date internal calculation accuracy rate is 97.8% for FY 2024. The fiscal year-to-date compliance/other accuracy rate is 97.41% resulting in an overall accuracy rate of 95.21% for FY 2024.

As of August 1, 2024, 73 of the 229 new retirees or \$266,806 of the \$836,764 total gross benefits issued have been audited. The fiscal year-to-date internal calculation accuracy rate is 100% for FY 2025. The fiscal year-to-date compliance/other accuracy rate is 95.89% resulting in an overall accuracy rate of 95.89% for FY 2025.

As of June 1, 2024, 152 of the 2,474 or \$4,924,109 of the \$20,738,144 total gross refunds issued for FY 2024 were audited. The fiscal year-to-date internal calculation accuracy rate is 95.39% for FY 2024. The fiscal year-to-date compliance/other accuracy rate is 97.37% resulting in an overall accuracy rate of 92.76% for FY 2024.

As of August 1, 2024, 35 of the 361 or \$1,206,720 of the \$3,599,545 total gross refunds issued for FY 2025 were audited. The fiscal year-to-date internal calculation accuracy rate is 97.14% for FY 2025. The fiscal year-to-date compliance/other accuracy rate is 100% resulting in an overall accuracy rate of 97.14% for FY 2025.

- C. 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 correction made. The dollar amount and the number of errors has increased slightly over the last quarter but this is largely due to the increased availability of information obtained to be provided in this report and not due to an increase in the occurrence of over or under payments needed.

Staff is interested in using a collection service as part of a State Contract to try and



recoup some of our outstanding balances. There currently are 22 past due balances totaling \$16,565.85 that are recoverable. Preliminary estimates from the collection services have indicated any amounts recovered would require a fee ranging from 14 to 25% of the recovery. Staff would like subcommittee recommendation to our full Board to move forward with trying to collect some of these past due balances prior to hitting the six year Statute of Limitations.

Mr. Miller moved approval of ND PERS use of collection services. The motion was seconded by Senator Dever. This was followed and approved by voice vote.

- D. Outstanding Issues Status Report – The Outstanding Issues Status report has been updated to reflect new and outstanding issues as of July 2024. There were 35 existing recommendation with no change or no response and 6 new recommendations added to this report. The new and outstanding issues were reviewed and discussed.

V. **Administrative**

- A. Audit Committee Charter Matrix Review - Per the Audit Committee charter, the Audit Committee is to “Confirm annually all responsibilities outlined in this charter have been carried out. Review and assess periodically the adequacy of the Committee charter, request Board approval for proposed changes, and ensure appropriate disclosure as may be required by law or regulation.”

To meet this responsibility a matrix was developed to review against current practices to ensure that the audit committee is meeting its responsibilities. A summary was attached of the progress made and activities completed through July 2024 for The Audit Committee’s review.

- B. Internal Audit Charter Matrix Review – 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 2024.
- C. Underpayment Policy Update – Discussion was held related to the current De Minimis Policy, which contains direction on how overpayments and underpayments to members will be handled however does not address an overpayment of contributions by a member or the employer. This policy including recent updates was discussed and the information will be reported to the Board at the September Board 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.” To accomplish this objective, a summary of the consulting, investment and administrative fees paid as of June 30, 2024 was provided and reviewed by the Committee.



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- E. Travel Expenditures – The Audit Committee reviewed the out-of-state travel expenditures incurred by the Executive Director for the period May 1, 2024 through July 31, 2024. There were no out-of-state travel expenditures for the Board during this time. This was provided for the Audit Committee's information.

- F. 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, 2024 through July 31, 2024 was provided to the committee for their review.

The meeting adjourned at 4:32 p.m. by Mr. Morrissette.