



**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 May 13, 2024

SUBJECT: **May 13, 2024 Audit Committee Meeting**

In Attendance:

Joe Morrissette
Senator Dick Dever
Adam Miller
Tyler Erickson
Nina Sand
Dean DePountis
Shawna Piatz
Shannon Ennen
Derrick Hohbein
Daniel Reichelt (Sanford)
Kim Haug (Sanford)

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 February 12, 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. Internal Audit Reports

- A. Quarterly Audit Plan Status Report – Information was provided of the past quarter's activity February 1, 2024 through April 30, 2024. Internal Audit spent 37.6% of



their time on audit activities and 32.5% on consulting services. The remaining 29.9% 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 May 1, 2024, 448 of the 1,023 new retirees or \$1,591,386 of the \$3,610,882 total gross benefits issued have been audited. The fiscal year-to-date internal calculation accuracy rate is 97.54% for FY 2024. The fiscal year-to-date compliance/other accuracy rate is 97.1% resulting in an overall accuracy rate of 94.64% for FY 2024.

As of May 1, 2024, 142 of the 2,283 or \$4,253,339 of the \$18,727,102 total gross refunds issued for FY 2024 were audited. The fiscal year-to-date internal calculation accuracy rate is 95.07% for FY 2024. The fiscal year-to-date compliance/other accuracy rate is 97.18% resulting in an overall accuracy rate of 92.25% for FY 2024.

- C. Sanford Claim Audit Report – Each year, ND PERS performs a review of a sample of medical and pharmacy claims from the Sanford health plan and the Humana Medicare Part-D prescription drug plan. A sample of 105 claims were selected for review and Internal Audit met virtually in March with Sanford and Humana staff to review the selections. There were seven observations which are discussed in more detail in the attached report. This information was provided to the Audit Committee.
- 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 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. There were 65 adjustments that were new this quarter and 23 previously reported adjustments remain outstanding. The new adjustments were largely 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 April 2024. There were 24 existing recommendation with no change or no response and 12 new recommendations added to this report. The new and outstanding issues were reviewed and discussed.

IV. 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 April 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 April 2024.
- C. 2023 CAO Annual Performance Evaluation - ND PERS is in the process of completing annual performance reviews. The 2023 CAO annual performance evaluation, which includes a self-evaluation portion, and evaluations completed by the Executive Director and each of the Audit Committee members who chose to respond, has been completed and is attached for review, discussion, and approval.

A motion was made by Mr. Erickson to approve the average scores of the Audit Committee as the final evaluation score. This was seconded by Senator Dever. This was followed and approved by a voice vote.

- 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 March 31, 2024 was provided and reviewed by the Committee.
- E. Risk Management Reports – During a previous review of the Audit Committee's charter, it was determined that a Risk Management Policy for PERS would not be necessary because we have a Loss Control Committee in place to manage risk for the agency. The Audit Committee decided at the May 2022 Audit Committee meeting to review the Loss Control Committee minutes annually unless major areas of risk arise. The minutes will be presented each May in the future. A copy of the meeting minutes that have been approved by the Loss Control Committee over the previous year were provided to the Audit Committee.
- F. Travel Expenditures – The Audit Committee reviewed the out-of-state travel expenditures incurred by the Executive Director for the period February 1, 2024 through April 30, 2024. There were no out-of-state travel expenditures for the Board during this time. This was provided for the Audit Committee's information.
- G. 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 February 1, 2024 through April 30, 2024 was provided to the committee for their review.

The meeting adjourned at 4:42 p.m. by Mr. Morrisette.