

PUBLIC EMPLOYEES' RETIREMENT BOARD
100 N Park, Rm 201
Helena MT 59620

Board Audit Committee Minutes
Thursday, August 11, 2011
3:00 pm

Committee Members: Terrance Smith, Chair
Timm Twardoski
Patrick McKittrick

Staff: Roxanne Minnehan
Barbara Quinn
Renaë Justice
Flora Sebens

I. Roll Call

II. Public/Member Comment

There were no comments.

III. Internal Audit Update (Renaë Justice)

IV.

A. Employer Audits

- i. The Employer Audit List reflects the number of audits Renaë Justice, Internal Auditor, has performed on employers this year. The majority were non-contributing employee (NCE) audits. Only 2 possible offenses were found. We will research using the information compiled and utilize our computer systems to pin-point any inconsistencies or errors in employer reports.
- ii. A Special Circumstances Audit was performed where it was noted that a working retiree might have exceeded the hourly limit while working at Dawson Community College. It was also suspected that the Dean of Administrative Services was reporting incorrectly to the Teachers' Retirement System (TRS). An audit revealed that the working retiree's hours were in compliance; however, they were not being correctly certified. The possible payout has not yet been determined. The audit also revealed that the Dean of Administrative Services is normally a position that reports to PERS, but they had been grandfathered in before the legislature changed the rules, so they are able to report to TRS.
- iii. Ms. Justice is in the process of developing Employer Surveys. She sent one to the school districts concerning how they are reporting their employees and received 21% of the surveys back. The data is still being analyzed. A 125 Plan survey was only sent to a few employers, but there questions that were not quite clear and caused confusion. It will be revised and sent to the counties, cities and school districts. The purpose of this survey will be to identify all the 125 Plans that have started using the health insurance premium as part of their gross pay for employees.

This will play a big part of their audit to ensure they are in compliance with their 125 Plans. Discussion was held on various ways the new system might be able to identify inconsistencies that will assist Ms. Justice in her auditing duties.

- iv. Volunteer Firefighters – The Legislative Audit Division questioned what MPERA does to audit volunteer fire departments. Ms. Justice indicated that she is going to begin audits in future.
- v. Geyser School District – Ms. Justice had an interview with the Geyser School District in regards to a non-compliance reporting issue. There is a working retiree issue that Geyser has been reluctant to resolve. Ms. Justice is sending them a letter that states they have 30 days to submit a plan on how they plan to resolve the issue or MPERA will take further action.

B. Internal Control Audits

Ms. Justice reported there were various findings discovered during her audit of internal controls that alerted her to potential issues. Issues that are brought to Ms. Justice's attention by staff alert her to various areas that need auditing. There are also issues that she is able to identify simply by sitting and observing processes being performed by employees. Ms. Justice is trying to educate employees on the fact that there are reasons why certain steps and procedures are put in place for them to follow. She suspects the reason certain procedures are not being followed is due to staff turnover and new staff not understanding the reason for the processes steps.

V. **Fiscal Services (Barbara Quinn)**

A. Governmental Accounting Standards Board (GASB) Changes

Ms. Barbara Quinn, Fiscal Services Bureau Chief, reviewed the revised handout she provided the Committee Members at the beginning of the meeting. The document reflects what the current GASB standards are and what the new ones will be. GASB is requesting feedback on the new standards by September 30, 2011. There are upcoming webinars on the GASB changes presented by Segal on August 16th, KPMG on August 18th and by GASB on September 7th. Ms. Quinn is concerned that most of the changes are going to have a negative impact on our funds and the associated employers.

It was suggested that MPERA request a meeting with Senator Max Baucus and Senator Jon Tester to discuss how the GASB changes are going to affect Montana. It was also suggested that we discuss this issue with Dave Senn from the Teachers' Retirement System.

VI. **Set meeting schedule**

The next Audit Committee meeting is scheduled for November 10, 2011.

VII. **Adjourn**

Chairman Terrence Smith adjourned the meeting at 4:15 p.m.