

PUBLIC EMPLOYEES' RETIREMENT BOARD
100 North Park Avenue, Room 201
Helena MT 59620

AUDIT COMMITTEE MEETING
Thursday, November 14, 2013

MINUTES

Committee Members: Bob Bugni, Chairman
Terrence Smith, Member
Mike McGinley, Member

MPERA Staff: Roxanne Minnehan, Executive Director
Hollie Koehler, Internal Auditor
Barbara Quinn, Fiscal Services Bureau Chief
Cynthia Pearson, Executive Assistant

Call to Order

Chairman Bob Bugni called the meeting to order at 3:30 p.m.

Roll Call

Committee members Bob Bugni, Terrence Smith and Mike McGinley were present. Member Sheena Wilson also attended.

Public Comment

There was no public comment.

Fiscal Services Update

Barbara Quinn, MPERA Fiscal Services Bureau Chief, provided an overview of the financial audit work being done at MPERA by the Legislative Audit Division.

Committee members asked if these auditors intended to meet with the Board at any point. Hollie Koehler, MPERA internal auditor, said one of the auditors had expressed a willingness to meet with the Board to facilitate better understanding of the audit process. Ms. Koehler will invite the auditor to the committee's next meeting.

Internal Audit Update

Ms. Koehler has recently completed two internal audits, which are the last of the FY2012 audits.

Death Compare Audit

The Death Compare Audit looked at how MPERA identifies members, beneficiaries, contingents and others receiving benefits related to a death. Typical questions asked were whether MPERA is stopping payments timely after the death and whether overpaid benefits are being returned to MPERA timely. There are five staff recommendations.

1. Recommended MPERA put controls in place to track and monitor contingents and beneficiaries that either owe MPERA or MPERA owes them.
2. Recommended that MPERA book an accounts receivable for members and contingents that owe MPERA for Fiscal Year 2013.

3. Recommended that MPERA book an accounts payable for members and contingents that MPERA owes for Fiscal Year 2013.
4. Recommended MPERA implement another control besides the death compare process. For example, run database queries to identify members who are 100 years (or more) of age and receiving a benefit, then contact those members/contingents to ensure they are still living.
5. Recommended MPERA review and update their use case per the Internal Control Guidebook, Policy 399, "Controls, Methods and Techniques - Documentation Control".

Ms. Koehler said she used 75% as the assurance rate over the financial statements to identify material items to test.

Ms. Koehler said MPERA's death compare audits are done on a statewide basis every month and on a national basis every quarter. Committee members discussed potential sources of death information, such as death certificates generated by the Montana Department of Public Health and Human Services.

Information Technology Backdoor Access Audit

The Information Technology Backdoor Access Audit looked at data changes made in MPERA's information system, BlueZone, to make sure the changes are being made correctly. Ms. Koehler provided some background information on how the process to change data works. There was one recommendation.

1. Recommended that MPERA staff requesting the data change should have a clear understanding of why they need the change and it should be documented in the file. IT staff should document the issue clearly on their log and investigate enough to determine the change needed to be made.

Motion: Member Terrence Smith moved to accept the staff recommendations as presented.

Second: Member Mike McGinley

No public comment.

Vote: 3/0

External Audit Update

Ms. Koehler has recently completed several external audits of Defined Benefit employers. She discussed how she selects the employers who will be audited, and gave an overview of the process she uses.

The Monforton School District in Bozeman was audited, with one recommendation:

- Recommended Monforton School District submit accurate non-contributing reports to MPERA per 2.43.2114 ARM.

School District 44 in Belgrade was audited, with no recommendations.

The City of Bozeman was audited, with three recommendations:

- Recommended City of Bozeman submit accurate non-contributing reports to MPERA per 2.43.2114 ARM.
- Recommended City of Bozeman pay the employer portion of contributions for two retired members based on new legislation that became effective on July 1, 2013.
- Recommended City of Bozeman make adjustments for a current PERS member who has not been contributing since June, 2011.

Motion: Member Mike McGinley moved to accept the staff recommendations as presented.

Second: Member Terrence Smith

No public comment.

Vote: 3/0

Plans for Future Audits

Ms. Koehler outlined her plans to complete both internal and external audits in the near future. She plans to focus mostly on internal audits and the MSU-Bozeman external audit through the winter. In the spring, she will resume travelling for external audits. Potential audits include MSU-Billings, Billings School District, Laurel School District, Lodgegrass School District, Custer County, Musselshell County, and Browning School District. Committee members provided recommendations to Ms. Koehler regarding personal contacts who may be helpful to her as she visits these locations.

Set Meeting Schedule

The next committee meeting will follow the Board's regular meeting in February or March, depending on the Board's decision on its future meeting schedule.

Adjourn

Chairman Bob Bugni adjourned the meeting at 4:12 p.m.