

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

**AUDIT COMMITTEE MEETING**  
**Thursday, February 13, 2014**

**MINUTES**

*Committee Members:*

Bob Bugni, Chairman  
Terrence Smith, Member  
Mike McGinley, Member

*MPERA Staff:*

Roxanne Minnehan, Executive Director  
Hollie Koehler, Internal Auditor  
Melanie Symons, Chief Legal Counsel  
Barbara Quinn, Fiscal Services Bureau Chief  
Patricia Davis, Member Services Bureau Chief  
Cynthia Pearson, Executive Assistant

**Call to Order**

Chairman Bob Bugni called the meeting to order at 1:35 p.m.

**Roll Call**

Committee members Bob Bugni and Terrence Smith were present. Member Mike McGinley was excused. President Scott Moore also attended.

**Public Comment**

There was no public comment.

**Fiscal Services Update**

Legislative Audit Division - Financial Audit

Barbara Quinn, MPERA Fiscal Services Bureau Chief, provided an update on the financial audit work currently being done at MPERA by the Legislative Audit Division (LAD).

Ms. Quinn said LAD is currently working to complete the financial audit. To date, LAD has audited the financial section as well as reviewed the entire Comprehensive Annual Financial Report (CAFR). MPERA has received an unmodified opinion, which is positive. There is one major recommendation related to improving the financial condition of the "actuarially unsound" retirement systems. This recommendation has been made in the past so it isn't surprising to MPERA.

MPERA is currently working on its response to the Blue Book recommendations.

Ms. Quinn noted MPERA has requested a second extension from the Government Finance Officers Association (GFOA) to complete the CAFR and the agency is up against a looming deadline.

LAD has scheduled an exit conference with MPERA on February 21. President Scott Moore has been invited to attend, as well as LAD Administrator Tori Hunthausen. Roxanne Minnehan, MPERA Executive Director, noted it's not typical for such high-level officials to attend an exit conference. She

said she questioned LAD as to whether there were major concerns and was told that LAD was worried about MPERA's ability to meet future GASB implementation deadlines.

#### Legislative Audit Division - IT Audit Assessment

Barbara Quinn, MPERA Fiscal Services Bureau Chief, provided an update on the IT audit work currently being done at MPERA by the Legislative Audit Division.

LAD will focus on MPERA's future IT system, PERIS, and will want access to the MPERAtiv team's SharePoint site. Ms. Quinn gave a quick demo of the site to show the committee the types of information that could be found.

Ms. Quinn expressed she's not concerned about the audit uncovering any major issues. She thinks LAD will see that MPERA has its project documents—including use cases—in order and that there is an appropriate process for approvals. She said the project's core team has the necessary expertise and the team's decisions are being actively reviewed by management. In addition, there are good relationships within the project.

Both Chairman Bugni and Member Terrence Smith indicated it would be important to communicate clearly to LAD that they can't cause unnecessary distraction or in any way hold up the project. The Board wants MPERAtiv to stay on schedule.

Ms. Quinn was advised to inform the Audit Committee if she felt LAD was hindering the project so the committee could make inquiries or take action. Ms. Quinn said she had already talked to LAD about not taking up too many resources or too much office space during the audit process.

There was discussion about the nature of the audit, and whether it might be a "fishing expedition" as the MPERAtiv system is not yet completed. Committee members were reassured there were only documents available and no actual access to the IT system. Committee members said they felt reassured by that fact and were comfortable with the scope of the audit.

#### **Internal Audit Update**

Ms. Koehler has recently completed two internal audits, a disability annual earnings audit and an audit of material items on the 2013 Schedule of Administrative Expenses.

#### Disability Annual Earnings Audit

There was one recommendation.

- 1) Recommend MPERA develop procedures for asking the Board if they can suspend the disability payments for habitual offenders for fiscal year 2014 per 19-3-1103, MCA.

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

**Second:** Chairman Bob Bugni

No public comment.

**Vote:** 2/0

#### Audit of Material Items on 2013 Schedule of Administrative Expenses

This audit covered personal services, contracted services, and rent. There were no recommendations.

#### **External Audit Update**

Ms. Koehler has recently completed two employer audits: Montana State University and the University of

Montana.

Montana State University

There are two recommendations.

- 1) Recommend MSU work with MPERA to pay employer contributions for two working retirees identified during the audit.
- 2) Recommend MSU work with MPERA to determine liability for 8 PERS members that currently are not classified in any retirement plan. These members should be given the opportunity to elect PERS or MUS-RP for retirement per 19-21-201 (2b), MCA.

University of Montana

There is one recommendation.

- 1) Recommend the University work with MPERA to determine a mandatory retroactive payment for one member identified through the audit that elected PERS but was reported as TIAA-Cref.

***Motion:** Chairman Bob Bugni moved to accept the staff recommendations for external audits as presented.*

***Second:** Member Terrence Smith*

*No public comment.*

***Vote:** 2/0*

Ms. Koehler also provided an update on an earlier audit she conducted on death benefits.

**Plans for Fiscal Year 2015**

Ms. Koehler asked the committee for their guidance as she begins to draft a work plan for FY2015, which will be implemented beginning July 1 of this year. She explained there are several directions that her work could take, including the following:

- Internal Audits
- External Audits
- Information Security

Chairman Bugni recommended Ms. Koehler work with the new MPERA Executive Director to determine the priorities, once that person has been hired. Then, he said, the committee could approve the plan.

Ms. Koehler said, at this point in time, she feels there is more value in doing external audits, which help employers do a better job of compliance, rather than internal audits, which have rarely uncovered any significant compliance issues.

Chairman Bugni reminded Ms. Koehler to travel for audits in the warmer months when road conditions are best.

**Set Meeting Schedule**

The next committee meeting will follow the Board's regular meeting on May 8, 2014.

**Adjourn**

Chairman Bob Bugni adjourned the meeting at 2:18 p.m.