

# OREGON PUBLIC EMPLOYEES RETIREMENT BOARD

## Audit Committee Meeting Agenda

**Friday  
February 15, 2008  
Immediately Following PERS  
Board Meeting**

**PERS  
11410 SW 68<sup>th</sup> Parkway  
Tigard, OR**

ITEM	PRESENTER	Discussion Time	
<b>A. Administration</b>			
1.	Approval of Minutes from 11/16/07 Meeting	DALTON	5 minutes
<b>B. Consent and Information Items</b>			
1.	Current Audit Projects	STANLEY	5 minutes
<b>C. Action and Discussion Items</b>			
1.	Audit Charter Responsibilities Progress Update	STANLEY	5 minutes
2.	Status of Previous Findings a. High Risk Open Findings		10 minutes
3.	Whistleblower Procedures		5 minutes
4.	Risk Assessment and 2008 Audit Plan a. Risk Management Spreadsheet b. Audit Plan		10 minutes
5.	Survey of Audit Services		10 minutes
6.	Secretary of State Audits Division Fiscal Year 2007 Financial Statement Opinion Audit a. Independent Auditor's Report b. Report on Internal Controls c. 032 Account	Dale Bond, Audit Manager Alan Bell, Supervisor	15 minutes

**Note:** If you have a disability that requires any special materials, services or assistance, call (503) 603-7575 at least 48 hours before the meeting.

\*James Dalton, Chair

\* Eva Kripalani  
Level 1 - Public

\* Michael Pittman

MEETING	2-15-2008
DATE	
AGENDA	A.1
ITEM	

**PUBLIC EMPLOYEES RETIREMENT SYSTEM**  
**AUDIT COMMITTEE MEETING**

November 16, 2007  
Tigard, Oregon

**MINUTES**

**Audit Committee:**

James Dalton, Chair  
Eva Kripalani  
Mike Pittman

**Staff:**

Paul Cleary  
Steve Delaney  
Jason Stanley  
Steve Rodeman  
Paul Brown

Beth Porter  
Jessica Johnson  
David Tyler  
Jeff Marecic  
Patrick Teague

**Others:**

Dallas Weyand

Blake Johnson

John Borden

Audit Committee Chair James Dalton called the meeting to order at 2:45 PM.

ADMINISTRATION

A.1. AUDIT COMMITTEE MEETING MINUTES OF July 20, 2007

Mike Pittman moved and Eva Kripalani seconded to approve the minutes of the July 20, 2007 meeting. The motion passed unanimously.

CONSENT ACTION AND INFORMATION ITEMS

B.1. CURRENT AUDIT PROJECTS

Jason Stanley, Internal Audits Director, provided a brief status report of current internal audit projects. Stanley reported on the results of a recent meeting with the Secretary of State Audit Division and said that the FY 07 financial audit is on track. Stanley said the Benefit Calculation Work-around Application audit, which is reviewing side systems for accuracy, will likely be completed in January. Stanley said the Benefit Calculation Review audit is in the planning phase and will audit various benefit calculations for retirees receiving large monthly benefits or large lump-sum amounts. Stanley stated that management suggested an audit of the contract with Saber Corp, the company performing the IT system conversion. Director Cleary said that the original IT contract was with the Covansys Company, which Saber acquired. Saber has now been acquired by Electronic Data Systems (EDS). Cleary said that with this recent acquisition, under the terms of PERS contract, an audit of the labor hours, payroll, etc., may be in order. The Committee discussed the potential need for such an audit, and noted that the decision should be driven by PERS audit capabilities and competing demands.

## ACTION AND DISCUSSION ITEMS

### C.1. AUDIT CHARTER RESPONSIBILITIES OUTLINE

Stanley provided an update of the Audit Committee and Internal Audits Responsibilities under the Audit Charter and said that all 2007 charter responsibilities are on target.

### C.2. STATUS OF PREVIOUS FINDINGS MATRIX

In response to the Committee's request for more structured and prioritized audit finding updates that include individual managers reporting on response to audit findings, Stanley presented an updated chart showing management follow-up on findings and recommendations.

Stanley reported that there were 19 unresolved high impact findings and 44 unresolved medium-to-low impact findings.

### C.3. EFFECTIVENESS OF INTERNAL AUDIT FUNCTION

Stanley reported on Internal Audit tasks and functions reviewing the effectiveness of PERS internal control systems, and presented a newly developed *Effectiveness Survey* that will be completed by managers and administrators to get their feedback on the effectiveness of internal audit services.

### C.4. EFFECTIVENESS OF SYSTEM FOR MONITORING COMPLIANCE

Stanley reported that there are agency policies in place that provide guidance that help ensure the agency complies with state and federal requirements. Stanley said Internal Audits also reviews compliance as part of their audits. The committee suggested that staff surveys also be used to identify compliance issues and concerns.

### C.5. INTERNAL AUDIT REPORTS

#### C.5.a. Report # 2007- 03 SPOTS Card Audit

Stanley provided a full report on the agency use of the Small Purchase Order Transaction System (SPOTS) card, a credit card that is used for agency purchases, billed to and paid for by the agency. Stanley presented findings that purchases made with SPOTS cards were generally in compliance with state purchasing rules and recommendations to ensure the agency stays in compliance with the Oregon Accounting Manual requirements.

C.5.b. Report # 2007- 04 Accounts Receivable and Collections Audit

Beth Porter, Principal Internal Auditor, reported on the findings from the accounts receivable and collections audit. Porter noted concerns that were primarily related to the lack of monitoring controls and internal communication issues. Porter reviewed audit recommendations for improving invoicing processes, repayment plans, and write-off procedures. Porter said staff is researching a reliable and secure death index system that will be used to identify member deaths and prevent fraud. FSD and other agency divisions are already working on many of the recommendations made in the audit report, and management responses to all recommendations were presented and discussed.

EXECUTIVE SESSION

Pursuant to ORS 192.660 (2) (f), the Committee went into executive session at 3:40 P.M.

The Committee reconvened to open session. Chair Dalton adjourned the meeting at 4:10 P.M.

Respectfully submitted,

Jason Stanley  
Internal Audit Director