

# OREGON PUBLIC EMPLOYEES RETIREMENT BOARD

## Audit Committee Meeting Agenda

Friday June 27, 2008 12:30 p.m.		PERS 11410 SW 68 <sup>th</sup> Parkway Tigard, OR	
ITEM	PRESENTER	Discussion Time	
<b>A. Administration</b>			
1.	Approval of Minutes from 2/15/08 Meeting	Dalton	5 minutes
<b>B. Consent and Information Items</b>			
1.	Audit Charter Responsibilities Progress Update	Stanley	5 minutes
2.	Current Audit Projects	Stanley	
<b>C. Action and Discussion Items</b>			
1.	Status of Previous Findings	Stanley	5 minutes
2.	Policy Reviews	Stanley	5 minutes
	a. Risk Management		
	b. Internal Controls		
	c. Conflict of Interest		
3.	Audit Report 2008-02 Desktop Applications	Johnson	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**

<b>MEETING DATE</b>	<b>6-27-2008</b>
<b>AGENDA ITEM</b>	<b>A.1 Minutes</b>

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

February 15, 2008  
Tigard, Oregon

**MINUTES**

**Audit Committee:**

James Dalton, Chair  
Eva Kripalani  
Mike Pittman

**Staff:**

Paul Cleary  
Jason Stanley  
Helen Bamford  
Patrick Teague

Beth Porter  
Jessica Johnson  
David Tyler  
Jeff Marecic

**Others:**

Dallas Weyand                      Blake Johnson

Audit Committee Chair James Dalton called the meeting to order at 3:00 PM.

**ADMINISTRATION**

**A.1. BOARD MEETING MINUTES OF July 20, 2007**

Eva Kripalani moved and James Dalton seconded to approve the minutes of the November 16, 2007 meeting. The motion passed unanimously. Mike Pittman is excused from attendance.

**ACTION AND INFORMATION ITEMS**

**C.6. SECRETARY OF STATE AUDITS DIVISION REPORT**

Dale Bond (Audit Manager) and Alan Bell (Supervisor) of the Secretary of State Audit Division (SOS) presented the Independent Auditor's Report and the Report on Internal Control Over Financial Reporting and on Compliance. The SOS auditors reported that they received full cooperation from staff and were given full access to all records requested.

The audit revealed two significant deficiencies, which appear in the revised report that was submitted. The first item of concern is reconciling items that have not been promptly cleared; PERS uses the term 032 for this issue. This issue has been reported in previous years and has not been resolved. The second issue of concern is that the reconciliation of cash accounts was not performed timely. Although management was working to reconcile the accounts during the audit, the accounts are significant to the agency. This is an important control over cash and the deficiency should be reported.

Chair Dalton asked if directionally PERS had done better or worse this year in comparison to last year. Alan Bell responded that PERS is in approximately the same place this year as last year as it relates to this audit. Dale Bond added that through her experience and interviewing past auditors of PERS, there have been improvements made.

## **CONSENT AND INFORMATION ITEMS**

### **B.1. CURRENT AUDIT PROJECTS**

Jason Stanley listed the audit projects that are currently in process and will be reported on at the next committee meeting. He will change the Audit Committee calendar to reflect a July meeting rather than a June meeting.

## **ACTION AND DISCUSSION ITEMS**

### **C.1. AUDIT CHARTER RESPONSIBILITIES PROGRESS UPDATE**

Stanley reported that for this calendar they will complete all of the tasks that have been assigned for February. There will also be follow-up to previous recommendations as well as the risk assessment and audit plan.

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

Stanley presented the internal and external audit recommendations broken into high impact and medium/low impact recommendations. There has been one new high impact recommendation which is related to the accounts receivable audit. Unresolved high impact recommendations total 17 as of February 15, 2008, most of which are in the long-term and ongoing category. The unresolved medium/low impact recommendations total 49; of those, 21 should be resolved by the next audit committee meeting. The outstanding high impact information security assessment recommendations total 12; half of those are expected to be resolved this year, the other half are long-term. The medium/low impact information security recommendations total 16, down from 26 in November.

Eva Kripalani asked how the progress made on resolving recommendations compared with the goals the auditors have set. Stanley replied that management sets the goals for implementation and thinks they are doing a good job of getting them resolved.

Cleary stated that staff has found that the work done to follow audit recommendations put PERS ahead of the curve as it pertains to statutory requirements within Senate Bill 583.

Stanley presented a spreadsheet of outstanding high risk audit recommendations.

### **C.3. WHISTLEBLOWER POLICIES**

Stanley reported that this review is an annual requirement of the audit committee's charter. There have not been any changes in policy. Stanley checked with a representative of the Secretary of State's office and was told they had received one call on the whistleblower hotline related to PERS. However, the caller was concerned about deadlines for selecting retiree health insurance, not fraud, waste, or abuse. We do have measures in place for people to come forward to report fraud, waste, and abuse and for them to feel safe in doing so.

Cleary stated that the whistleblower policy is something Stanley can share with the administrators and managers to get their involvement as well.

Stanley reported that every other year the auditors survey management and staff as part of the risk assessment process. The survey includes questions about fraud, waste, and abuse.

#### C.4. INTERNAL AUDIT REPORTS

Stanley reported that in 2007, the auditors performed an extensive risk assessment, so this year they re-assessed the areas of concern from the previous year. The updated assessment was shared with executive staff for their input.

##### C.4.a. 2008 High Risk areas

Stanley presented a table identifying risks that are currently on the audit plan as well as those identified by a recent audit.

##### C.4.b. 2008 Audit Plan

This is an outline of the 2008 audit projects, including those that are currently in process, already complete, and those that have yet to be started. Recurring audits as well as proposed audit projects are presented. Stanley requested the committee provide feedback on the audit plan.

Stanley reported that prior year audit projects that have not been completed have been moved into the current year's plan.

Dalton stated that he would like to keep the audit plan realistic and the goals attainable. Stanley stated that there are some projects that get pushed back because the timing isn't right to perform that particular audit or another issue comes up that takes priority.

#### C.5. INTERNAL AUDIT SURVEY

Stanley provided a report on a survey of executives and managers regarding the internal audit services. All executives and 9 managers were given the survey and 10 responses were received. In general, the survey indicated that the auditors are doing a good job. Items of improvement are noted in the memo. Survey comments are reported on page 3 and helped to identify areas of communication that can be improved.

Kripalani asked if the auditors had any kind of forum in which to educate management regarding the role of internal auditors and what standards auditors are governed by.

Stanley replied that, currently, auditors communicate with managers and executives regarding specific projects prior to performing an audit, but there was not a general education forum in place. He said it would be a good idea to train and educate management as to the role of internal auditors.

Cleary stated that he would like to see what other agencies are finding in their audits and what their challenges are. That way we can check for similarities, research the recommendations, and attempt to eliminate risks before they turn up on an audit report.

Stanley stated that the Audit Directors do meet and he can attempt to get others to share their audit information, including audit reports.

Dalton asked for any comments from the audience.

Dallas Weyand, Legislative Fiscal Office and Joint Legislative Audit Committee, wanted to mention a concern regarding item C.6., the revised Secretary of State's Internal Audit report. Weyand believes that a revised report should have a different date than the original erred report as well as an explanation for the different date. Weyand stated that both reports that are

linked on the PERS website do not meet the standards under which they were issued. The agency should request that the Secretary of State remedy this issue.

Cleary stated that, currently, the revision transmittal letter appears first in the audit report on the Website, clarifying the subsequent corrected report. However, the date on the report remains the same as the first report. If the Secretary of State provides a report with another date and letter of explanation, PERS will post it.

Dalton indicated that he felt PERS has substantively gotten to the right place as far as the reports are concerned. Kripalani agreed with that assessment.

Chair Dalton adjourned the meeting at 4:10 P.M.

Respectfully submitted,

Jason Stanley

Internal Audit Director