

DRAFT

MINUTES

September 20, 2012

Audit Committee
Employee Trust Funds Board
State of Wisconsin



Location:
State Revenue Building – Conference Room 244
2135 Rimrock Road, Madison, WI 53718

COMMITTEE MEMBERS PRESENT:

William Ford, Chair

Kimberly Hall, Secretary

COMMITTEE MEMBERS NOT PRESENT:

Jon Litscher, Vice Chair

PARTICIPATING EMPLOYEE TRUST FUNDS (ETF) STAFF:

Bob Conlin, Secretary

Office of Internal Audit:

John Vincent, Director

Claudius Lebi, Auditor-Advanced

Helen Malzacher, Auditor-Advanced

OTHERS PRESENT:

Legislative Audit Bureau:

Brian Geib

Mr. Ford called the Audit Committee (Committee) to order at 7:54 a.m.

CONSIDERATION OF MINUTES OF PREVIOUS MEETING

MOTION: Ms. Hall moved to accept the minutes of the June 21, 2012, Committee meeting, as submitted by the Board Liaison. Mr. Ford seconded the motion, which passed without objection on a voice vote.

Board	Mtg Date	Item #
AUD	12.06.12	1

2011-2013 AUDIT PLAN STATUS

Mr. Vincent reviewed his memorandum to the Audit Committee highlighting the following audits and activities during the first year of the 2011-2013 Audit Plan (Ref. AUD | 9.20.12 | 2).

1. BPS File Maintenance – Internal Audit conducted a survey of other public pension system auditors for information on similar audits they have conducted. The information will assist in establishing the scope of the audit for discussions with the Division of Retirement Services.
2. Initial planning has begun for the Lump Sum Payment System audit.
3. The Office of Internal Audit has been providing system development advisory services for the following projects.
 - a. Accumulated Sick Leave System – Helen Malzacher has been attending the bi-weekly planning and update meetings to monitor the progress of the development as well as become familiar with the system features. Ms. Malzacher remarked how impressed she is with the system development process being followed.
 - b. Transformation, Integration, and Modernization (TIM) – Mr. Vincent will be partnering with Steve Hurley, Office of Policy, Privacy and Compliance, to monitor risk management efforts in connection with this project.

Mr. Vincent provided an update on the recruitment status for an advanced auditor. Interviews will be scheduled for the first week in October.

EDUCATIONAL TOPICS

Mr. Vincent informed the Committee he had talked with Bob Conlin and Bill Ford about including education topics in future Committee meetings. The intent of including educational topics would be to enhance the Committee's oversight responsibilities by becoming more familiar with Department programs, systems, and processes.

Mr. Vincent presented the following information.

1. How and Why Audits are Determined and Scheduled (Ref. AUD | 9.20.12 | 3A). Audits are determined by the following three methods; biennial audit plan, special projects and emerging developments. The biennial audit plan is based on a risk assessment involving all divisions/offices, who rate each risk using five risk factors. Special projects can be requested by any Department division/office. Concerning emerging developments, it is essential for Internal Audit to be flexible to take on audits or reviews as a result of such developments. The current review of the circumstances in connection with the post and roll development is an example. Factors taken into account when scheduling audits were also discussed, to include available resources, competing priorities, timing of operational responsibilities, capabilities of audit staff, and the importance of the project.

2. Identification and Assessment of Risks from Acts 10 and 32. Mr. Vincent advised the Committee of future discussions to be scheduled with the various functions within the Department to identify the most critical risks that resulted from Acts 10 and 32. Mr. Vincent advised the Committee of a recent development, resulting from Act 10, involving computer systems that close out the active and inactive accounts in the retirement system for 2011. The Office of Internal Audit will be monitoring the internal discussions and steps that have been or will be taken to mitigate the matter, with a report to be submitted to the Committee upon conclusion of the review.

Mr. Vincent asked Committee members to submit topics of interest for inclusion on a future agenda.

ADJOURNMENT

MOTION: Ms. Hill moved to adjourn the meeting. Mr. Ford seconded the motion, which passed without objection on a voice vote.

The Committee adjourned at 8:37 a.m.

Date Approved: _____

Signed: _____

Kimberly Hall, Secretary
Audit Committee