

DRAFT

MINUTES

March 7, 2013

Audit Committee
Employee Trust Funds Board
State of Wisconsin



Location:

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

COMMITTEE MEMBERS PRESENT:

William Ford, Chair
Jon Litscher, Vice Chair
Kimberly Hall, Secretary

PARTICIPATING EMPLOYEE TRUST FUNDS (ETF) STAFF:

Bob Conlin, Secretary
Rob Marchant, Deputy Secretary
Office of Internal Audit:
John Vincent, Director
Claudius Lebi, Auditor
Helen Malzacher, Auditor
Jackie Van Marter, Auditor

OTHERS PRESENT:

Legislative Audit Bureau:
Brian Geib

Mr. Ford called the Audit Committee (Committee) to order at 8:00 a.m.

CONSIDERATION OF MINUTES OF PREVIOUS MEETING

MOTION: Ms. Hall moved to accept the minutes of the December 6, 2012, Committee meeting, as submitted by the Board Liaison. Mr. Litscher seconded the motion, which passed unanimously on a voice vote.

ANNOUNCEMENT

Mr. Vincent announced the appointment of Brandon Brickner as Audit Director of the State of Wisconsin Investment Board. Mr. Brickner was previously with the Legislative Audit Bureau.

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TRANSFORMATION, INTEGRATION, and MODERNIZATION RISK MANAGEMENT PROCESS

Mr. Vincent advised the Committee on the process to monitor risks and mitigation plans associated with the Department of Employee Trust Funds (ETF) modernization initiative. Steve Hurley, Director of the Office of Policy, Privacy and Compliance and Mr. Vincent make up the Risk Management Monitoring Team, on behalf of the Secretary's Office and the TIM Steering Team. Mr. Vincent presented the Risk Management/Assessment Roles and Responsibilities document that acknowledged the process to identify, rate, and report risks associated with the Data Integrity project, Financial Management Information System implementation, and the development and implementation of the new benefit administration system.

Mr. Litscher, recognizing the complexity of the Wisconsin Retirement System (WRS), questioned whether an alternative would be to implement a software application already in place with another retirement system. Mr. Conlin responded that ETF has in fact decided to pursue such an application, known as customizable off-the-shelf (or COTS) software.

UNIVERSITY OF WISCONSIN (UW) SYSTEM HUMAN RESOURCE SYSTEM AUDIT

Mr. Marchant provided the Committee a timeline of developments concerning overpayments by the UW system and the Legislative Audit Bureau's (LAB) audit report on the UW System's human resource system, dated January 30, 2013. During ETF's annual reconciliation process for 2011, an overpayment of UW's contributions to the WRS was discovered by ETF. Since then, all WRS funds have been returned to the UW. Additionally, the LAB's audit report concluded that the UW overpaid health insurance premiums during 2011. Mr. Marchant advised the Committee that ETF continues to be in contact with UW staff to provide assistance with rectifying the overpayment of health insurance premiums and their review of the matter. Additional recovery may be limited, though, by law and contract.

OPERATIONAL UPDATES

Mr. Vincent provided the following updates:

- Audit Report – Accumulated Sick Leave System (AcSL) Reconciliation and System Security Access Review (2013-02). The review was on the new system's reconciliation of health insurance provider premium invoices against deductions from member sick leave accounts and annuities. The automated reconciliation process was more effective and accurate than the previous labor-intensive process. The audit also assessed staff access to the new system. There were no process or system change recommendations to report.

- 2011-2013 Audit Plan Status – Mr. Vincent highlighted Ms. Van Marter’s research of the Washington State Retirement System’s on-line employer self-assessment method. The research revealed that while the method is thorough and complex, it does not provide the type of results that would benefit ETF. Internal Audit will meet with the Division of Retirement Services to explore how an on-line employer self-assessment program may benefit the division and ETF.
- 2013-2015 Audit Plan Development Update – Mr. Vincent continues to have discussions with division/office leadership to identify the primary risks for audit plan consideration. Discussions will take place with the Secretary’s Office with the final audit plan to be provided to the Committee at the June 2013 meeting.
- Update of 2011 Comprehensive Annual Financial Report – Mr. Vincent informed the Committee that it is projected that the 2011 Report will be issued in spring or summer of 2013. The 2012 report will be issued late in 2013.

FUTURE ITEMS FOR DISCUSSION

Mr. Vincent asked Committee members to submit topics of interest for future agendas to him.

ADJOURNMENT

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

The Committee adjourned at 8:42 a.m.

Date Approved: _____

Signed: _____

Kimberly Hall, Secretary
Audit Committee