

DRAFT

MINUTES

December 5, 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
Victor Shier

Kimberly Hall, Secretary

PARTICIPATING EMPLOYEE TRUST FUNDS (ETF) STAFF:

Bob Conlin, Secretary
Anne Boudreau, Deputy Administrator,
Division of Retirement Services

Office of Internal Audit:
John Vincent, Director
Claudius Lebi, Auditor-Advanced
Helen Malzacher, Auditor-Advanced
Jackie Van Marter, Auditor-Advanced

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 September 26, 2013, Committee meeting, as submitted by the Board Liaison. Mr. Shier seconded the motion, which passed unanimously on a voice vote.

ANNOUNCEMENT

Mr. Vincent introduced Victor Shier as a new member of the Committee. Mr. Shier is replacing Jon Litscher.

Board	Mtg Date	Item #
AUD	3.27.14	1

AUDIT REPORT – (2013-03) BPS MANUAL TRANSACTIONS AUDIT

Ms. Malzacher presented the Benefit Payment System (BPS) Manual Transactions Audit. The audit objective was to verify the accuracy of manual transactions, made by the Division of Retirement Services staff, which resulted in computer-based adjustments to annuitant accounts within BPS. There are three recommendations in the report.

Mr. Ford said he was impressed with the accuracy of the manual transactions, given the demands for staff time and changes related to 2011 Wisconsin Acts 10 and 32. He also questioned the controls and process that resulted in an overpayment, and the processing of state tax withholding refunds by unauthorized staff. Ms. Boudreau responded by explaining the complexity of the transaction and the experience level of the staff involved in these account adjustments. Mr. Vincent stated Ms. Malzacher will meet with DRS staff to discuss possible process improvements. Mr. Ford requested status update at the March 27, 2014, Committee meeting.

Ms. Boudreau also explained the controls that were put in place regarding the finding about state tax withholdings.

2013-2015 AUDIT PLAN STATUS

Mr. Vincent presented an update of the Audit Plan for 2013-2015, highlighting four audits and projects in process that should be completed by the March 2014 meeting.

EXTERNAL QUALITY ASSESSMENT REVIEW

Mr. Vincent presented the results of the External Quality Assessment Review (QAR) conducted by David MacCabe, an external audit consultant. The QAR measures the Office of Internal Audit's (OIA) conformance with the auditing standards. This was the first QAR conducted by ETF.

Mr. Vincent explained the QAR process and reported that the OIA "partially conforms" to the international standards. Significant opportunities to more fully conform to the standards were provided.

Mr. MacCabe will be available at the March 2014 meeting to discuss the QAR and present the QAR to the ETF Board.

CHARTER REVIEW

Audit Committee Charter – Mr. Vincent presented the proposed changes to the charter, which was last reviewed on September 15, 2011. He explained that the proposed changes were to provide clarification on the Committee's roles and responsibilities.

Motion: Ms. Hall moved and Mr. Shier seconded that the Committee recommend to the Employee Trust Funds Board approval of the changes. Motion passed unanimously on a voice vote.

Office of Internal Audit Charter – Mr. Vincent presented proposed updates to the Office of Internal Audit Charter. He explained that due to the number of changes, reflecting the results of the QAR, it was best to rewrite the charter. The revised charter reflects important elements contained in the audit standards.

Motion: Ms. Hall moved and Mr. Shier seconded that the Committee approve the new charter. Motion passed unanimously on a voice vote.

FUTURE ITEMS FOR DISCUSSION

Mr. Vincent informed the Committee of topics that would likely be on the March 2014 agenda.

- Committee officer elections
- Discussion of audit results
- Discussion of the QAR with Dave MacCabe
- Update on the process review by the Division of Retirement Services concerning two audit findings reported in the (2013-03) BPS Manual Transactions Audit, discussed earlier.

ADJOURNMENT

MOTION: Ms. Hall moved to adjourn the meeting. Mr. Shier seconded the motion, which passed unanimously on a voice vote.

The Committee adjourned at 8:52 a.m.

Date Approved: _____

Signed: _____

Kimberly Hall, Secretary
Audit Committee