

DRAFT

MINUTES

March 23, 2017

Audit Committee
Employee Trust Funds Board
State of Wisconsin



Location:
State Revenue Building – Room 1N-04
2135 Rimrock Road, Madison, WI

COMMITTEE MEMBERS PRESENT:

William Ford, Chair
Victor Shier, Vice Chair
Leilani Paul, Secretary

PARTICIPATING EMPLOYEE TRUST FUNDS (ETF) STAFF:

Office of the Secretary:
Bob Conlin, Secretary
Division of Trust Finance (DTF):
Cindy Klimke-Armatoski, Chief Trust
Finance Officer
Nanette Strennen, Financial Reporting
Director

Office of Internal Audit (OIA):
Yikchau Sze, Director;
Rick Onasch, Auditor-Advanced;
Amelia Slaney, Auditor-Advanced;
Michelle Hoehne, Auditor-Advanced

OTHERS PRESENT:

Legislative Audit Bureau (LAB):
Carolyn Stittleburg, Audit Director
Lisa Kasel, Audit Supervisor
Emily Pape, Audit Supervisor

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

CONSIDERATION OF MINUTES OF PREVIOUS MEETING:

Mr. Shier moved to accept the minutes of the December 15, 2016 Committee meeting, as submitted by the Board Liaison. Ms. Paul seconded the motion, which was passed on a voice vote.

| Board | Mtg Date | Item # |
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ANNOUNCEMENTS:

Ms. Sze introduced Michelle Hoehne as a new member of the Office of Internal Audit.

ELECTION OF OFFICERS:

Mr. Ford proposed each committee member retain their current position.

MOTION: Mr. Shier nominated Mr. Ford as Chair, Mr. Shier as Vice Chair and Ms. Paul as Secretary. Ms. Paul seconded the motion which passed without objection on a voice vote.

2015 LEGISLATIVE AUDIT BUREAU REPORTS:

Wisconsin Retirement System (WRS) Financial Statements Report and WRS GASB 68 Reporting for Participating Employers

Ms. Stittleburg provided an overview of the functions and responsibilities of the Legislative Audit Bureau (LAB). Ms. Kasel reviewed the audit process and concluded that LAB issued an unmodified opinion on the 2015 WRS financial statements and related notes, as well as the 2015 GASB 68 WRS employer schedules. However, the audit of the WRS financial statements identified two significant deficiencies in control:

- 1) improvements but continuing issues with financial reporting errors at ETF that required adjustments to the financial statements and notes; and
- 2) Department of Administration cash reconciliation controls for which no corrective actions from ETF were necessary.

Mr. Ford asked questions pertaining to the financial reporting deficiencies, and the Legislative Joint Audit Committee hearing on January 25, 2017 were discussed.

Ms. Klimke-Armatoski discussed the steps ETF has taken to improve and address the financial reporting audit findings. Mr. Conlin stated that a memo discussing the history of financial reporting and remediation of the issues would be provided to the ETF Board and discussed in the afternoon meeting.

INTERNAL AUDIT REPORTS AND FOLLOW-UP:

Tax Reporting and Tax Payment-Withholding

Ms. Sze reported the audit results to the Committee. This audit reviewed the accuracy of tax withholdings for the second quarter of calendar year 2016 and the internal controls in place to track and reconcile withholdings. Ms. Sze stated that, overall, the audit concluded that the key controls were operating effectively for the audit period and noted significant improvement in the withholding process since the function had moved to the Division of Trust Finance (DTF).

Ms. Sze indicated the audit included a finding that written procedures for the withholding tax reconciliation process had not been developed and there was inadequate backup for the tax specialist function. Ms. Klimke-Armatoski stated that DTF has undertaken a project to look at all business functions and ensure procedures are adequately documented and necessary cross-training is provided to staff. Mr. Conlin explained the additional employee positions requested in the budget proposal that would address this and other critical functions required of DTF.

Follow Up on the Office of Foreign Assets Control (OFAC) Audit (memo)

Ms. Sze provided a summary of the information contained in the OFAC memo provided to the Committee. This memo was provided in response to the discussion at the December 15, 2016, Committee meeting about the audit assurance provided by the audit and other related compliance matters. Mr. Shier shared additional research he conducted pertaining to OFAC and anti-money laundering regulations, resolving questions presented in the December Committee meeting.

2015-2017 AUDIT PLAN STATUS, INCLUDING OPEN ISSUES REPORT:

Ms. Sze provided the status of audit projects and reported other non-audit activities as presented in the Audit Plan Status memo covering the reporting period from November 17, 2016 to February 23, 2017. Ms. Sze also provided an update on open audit issues.

OTHER ITEMS/FUTURE ITEMS FOR DISCUSSION:

Ms. Sze stated that Committee members would be contacted as part of the risk assessment process for the new Audit Plan. Mr. Conlin indicated that as part of the annual evaluation process for the Director of the Office of Internal Audit, Committee members will be contacted for feedback. Mr. Shier stated that his four year term is coming to a close, but he will be seeking an additional four-year term.

ADJOURNMENT:

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

The Committee adjourned at 8:55 a.m.

Date Approved: _____

Signed: _____

Leilani Paul, Secretary
Audit Committee