

DRAFT

MINUTES

December 14, 2017

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, Vice Chair

Leilani Paul, Secretary

PARTICIPATING EMPLOYEE TRUST FUNDS (ETF) STAFF:

Office of Secretary:

Bob Conlin, Secretary

Division of Trust Finance (DTF):

Cindy Klimke-Armatoski, Chief Trust
Finance Officer

Nannette Strennen, Financial
Compliance Bureau Director

Office of Strategic Health Policy:

Eileen Mallow, Deputy Director
Jessica Rossner, Program Manager

Division of Management Services:

Dana Perry, Administrator
Bonnie Cyganek, Bureau of Budget,
Contract Administration, and
Procurement (BCAP) 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:

Lisa Kasel, Audit Supervisor
Emily Pape, Audit Supervisor

Public:

S. E. Hutchinson
H. Hurie

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

Board	Mtg Date	Item #
AUD	3.29.18	1

CONSIDERATION OF MINUTES OF PREVIOUS MEETING

Mr. Shier moved to accept the minutes of the September 21, 2017 Committee meeting, as submitted by the Board Liaison. Ms. Paul seconded the motion, which passed unanimously on a voice vote.

ANNOUNCEMENTS

Ms. Sze announced that Amelia Slaney will be leaving the OIA for a position in ETF's DTF.

2016 ANNUAL FINANCIAL REPORTS

Wisconsin Retirement System (WRS), WRS Employer Reporting, Comprehensive Annual Financial Report (CAFR)

Ms. Klimke-Armatoski provided an overview of the three reports and the progress made in the financial reporting process over the past year. Ms. Klimke-Armatoski also provided an overview of DTF's response to the additional matter and significant deficiency reported by LAB. Ms. Kasel stated that LAB issued unmodified opinions on the financial statements and related notes of the three audits. Ms. Kasel also explained the additional matter and significant deficiency reported by LAB. Mr. Ford commented about the meaning of "significant deficiency." Ms. Kasel highlighted that the *Internal Control Report Over Financial Reporting, Compliance, and Other Matters* defines "significant deficiency." Ms. Pape explained that LAB followed up on the recommendations included in LAB's report 17-20 and stated that LAB has no further recommendations.

INTERNAL AUDIT – INVOICE PROCESSING:

Ms. Hoehne provided an overview of the audit scope, business area controls, audit findings, recommendations and management's responses to the Committee. Ms. Hoehne noted that although no material inappropriate payments were found in testing, several findings and process improvements were identified as part of the audit. Committee members posed questions related to fraud considerations in the audit, potential efficiencies in the business area, and root causes of findings and further discussed these areas with ETF management.

FY 2017-2018 AUDIT PLAN STATUS, INCLUDING OPEN ISSUES REPORT:

Ms. Sze provided the status of audit projects and reported other OIA activities as presented in the Audit Plan Status memo covering the reporting period from August 5, 2017 to November 17, 2017. Ms. Sze also provided an update on open audit issues, stating that since the last Committee meeting one finding has been resolved and

one finding has become overdue. Ms. Rossner provided a detailed update on progress made by Total Administrative Services Corporation (TASC) in addressing recent audit findings.

ANNUAL REVIEW OF INTERNAL AUDIT CHARTER:

Ms. Sze proposed changes to be made to the Charter during the September 2017 meeting.

***Ms. Paul moved to approve the Charter with the proposed changes.
Mr. Shier seconded the motion, which passed unanimously on a voice vote.***

ANNUAL INDEPENDENCE AFFIRMATION:

Ms. Sze stated the Annual Independence Affirmation of Auditors is complete and complies with Internal Audit Standards.

QUALITY ASSURANCE AND IMPROVEMENT - OIA SELF-ASSESSMENT:

Ms. Sze presented the results of the quality self-assessment program from the reporting period between July 2016 and October 2017. Ms. Sze noted that most goals in key performance categories were met. However, improvement is needed at the individual level in certain areas such as engagement productivity, duration of an audit and use of data analytics.

ADJOURNMENT

Mr. Shier moved to adjourn the meeting. Ms. Paul 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