

DRAFT

MINUTES

June 21, 2018

Audit Committee
Employee Trust Funds Board
State of Wisconsin



Location:
Hill Farms State Office Building – Room N102
4822 Madison Yards Way, Madison, WI 53705

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 Retirement Services: Shelly
Schueller, Director, Wisconsin Deferred
Compensation (WDC) Program
Office of Internal Audit (OIA):
Yikchau Sze, Director
Richard Onasch, Auditor-Advanced
Ramona Yee, Auditor-Advanced

Division of Trust Finance (DTF):
Cindy Klimke-Armatoski, Chief Trust
Finance Officer
Dave Ehlinger, Financial Management
Supervisor
Amelia Slaney, Accountant-Advanced

OTHERS PRESENT:

Legislative Audit Bureau:
Emily Pape, Audit Supervisor

Mr. Ford 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 March 29, 2018, Committee meeting, as submitted by the Board Liaison. Ms. Paul seconded the motion, which was passed on a voice vote.

INTERNAL AUDIT -- CASH RECONCILIATION PROCESS AUDIT:

Ms. Sze clarified, the cash reconciliation and cash processing audit was started by Ms. Slaney, who transferred from OIA to DTF after completing the cash reconciliation part of

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the audit in December 2017. Ms. Yee, who joined OIA in April 2018, performed a follow-up audit of the completed cash reconciliation audit. The cash processing audit will be presented at a later date.

Ms. Yee discussed the audit approach, which consisted of two parts 1) June through November of 2017, for the initial audit and 2) December 2017 through April 2018, for the follow-up audit. ETF works with the State of Wisconsin Investment Board (SWIB) and the Department of Administration (DOA) to manage cash for the Core Trust Fund and the Variable Trust Fund. The reconciliation of cash between ETF, SWIB and DOA is necessary to ensure cash activity is recorded accurately and reported correctly on the financial statements.

There were two findings and two observations that were fully implemented, by DTF, and was documented in OIA's follow up review. There was one finding that was not fully implemented prior to the follow-up review. However, DTF plans on implementing the last recommendation by July 2018.

WDC AUDITS – FINANCIAL STATEMENT AUDIT AND CONTRACT COMPLIANCE AUDIT:

Ms. Schueller discussed the 2017 Financial Statements Audit and stated the Deferred Compensation (DC) Board had already approved that audit report at its June Board meeting. Coleman and Williams performed the audit and gave the WDC a "clean" audit opinion for its financial statements as of December 31, 2017.

Ms. Schueller reported on the 2017 Contract Compliance Audit results. The agreed-upon procedures were performed by Wipfli, LLP, which concluded that the WDC is "in compliance" with contract terms and conditions. This contract compliance audit is done on a bi-annual basis. In addition, Ms. Schueller provided some history of the financial statement audit and contract compliance audit of the WDC program as well as the audit authority of the DC Board.

INSTITUTE OF INTERNAL AUDITORS (IIA) EXTERNAL QUALITY ASSESSMENT OF OIA:

Ms. Sze reported that OIA received an overall rating of General Conformance with the IIA Standards and Code of Ethics from the external quality assessment, conducted by the IIA quality assessment team. This is the second quality assessment of the OIA; the first was in 2013 and the rating was "Partially Conforms" at that time.

The IIA provided a draft report to Ms. Sze. Although the OIA was rated "General Conformance" overall, there were three partial conformances to specific IIA Standards. Ms. Sze will work with the Committee and senior management to address those

findings. Ms. Sze plans to have the IIA assessment team present its findings at the September 20, 2018, ETF Board Meeting. Mr. Ford agreed that it is a good idea for the IIA to present their findings to the Employee Trust Funds Board rather than just the Committee.

FY 2018-2019 AUDIT PLAN STATUS, INCLUDING OPEN ISSUES REPORT:

Ms. Sze provided the status of audit projects and reported other OIA activities as documented in the Audit Plan Status memo covering the reporting period from March 2, 2018, through May 25, 2018. Ms. Sze then reviewed the re-assessed Audit Plan based on risks and resources, explaining each of the seven audit projects with proposed changes and the cause for the changes. Ms. Sze also provided an update on open audit issues identified in the June 8, 2018, Open Audit Issues Report.

When the discussion above was completed, Ms. Sze asked the Audit Committee to approve the proposed changes to the Audit Plan.

APPROVE CHANGES TO THE CURRENT AUDIT PLAN

***Mr. Ford moved to accept the changes to the Audit Plan, as outlined.
Ms. Paul seconded the motion, which was passed on a voice vote.***

ADJOURNMENT

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

The Committee adjourned at 8:54 a.m.

Date Approved: _____

Signed: _____

Leilani Paul, Secretary
Audit Committee