

DRAFT

# MINUTES

December 12, 2019

## Audit Committee

Employee Trust Funds Board  
State of Wisconsin



## Location:

State Hill Farms Building – Room N113  
4822 Madison Yards Way, Madison, WI 53705

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## COMMITTEE MEMBERS PRESENT:

William Ford, Chair  
Leilani Paul, Vice Chair

Michael Langyel, Secretary

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## PARTICIPATING EMPLOYEE TRUST FUNDS (ETF) STAFF:

Office of Secretary:

Bob Conlin, Secretary

Office of Internal Audit (OIA):

Yikchau Sze, Director  
Michelle Hoehne, Auditor-Advanced  
Rick Onasch, Auditor-Advanced  
Amanda Williams, Auditor-Advanced

Office of Strategic Health Policy:

Tricia Sieg, Supplemental Plans  
Manager  
Tom Rasmussen, Advanced Employee  
Benefit Plan Policy Advisor  
Rachel Carabell, Senior Health  
Policy Advisor

Division of Trust Finance:

Cindy Klimke-Armatoski, Administrator  
& Chief Trust Finance Officer  
Mona Yee, Deputy Administrator  
Amelia Slaney, Financial Compliance  
Bureau Director

Employer & Contact Services Bureau:

Kathy Wienkes, Director

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## OTHERS PRESENT:

Legislative Audit Bureau (LAB):

Lisa Kasel, Assistant Audit Director

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Mr. Ford called the Audit Committee (Committee) to order at 7:45 a.m.

Board	Mtg Date	Item #
AUD	03.26.20	1

**ANNOUNCEMENTS:**

Ms. Sze introduced Ms. Williams, who joined OIA in November. She also announced that Mr. Onasch will be retiring in January 2020.

**CONSIDERATION OF MINUTES OF PREVIOUS MEETING:**

***Mr. Ford moved to accept the minutes of the September 19, 2019, Committee meeting, as submitted by the Board Liaison. Ms. Paul seconded the motion, which was passed on a voice vote.***

**2018 ANNUAL FINANCIAL REPORTS – COMPREHENSIVE ANNUAL FINANCIAL REPORT (CAFR) AND EMPLOYER REPORTING FOR CERTAIN BENEFIT PROGRAMS:**

Ms. Slaney announced that the 2018 CAFR (Ref. AUD | 12.12.19 | 3A), as well as the Employer Schedules for the WRS, State Retiree Life Insurance and Local Retiree Life Insurance Program (Ref. AUD | 12.12.19 | 3B), have been published. Ms. Kasel provided some additional detail on portions of the CAFR and the audit reports. The audit completed by LAB resulted in unmodified audit opinions, with no internal control deficiencies identified. Additionally, it was noted that the Wisconsin Retirement System continues to be well funded.

**INTERNAL AUDIT – THIRD-PARTY ADMINISTRATOR (TPA) OVERSIGHT:**

Ms. Sze provided an overview of OIA's role in TPA oversight at ETF, including the annual Service Organization Control report review and contract compliance audits completed by external auditors (Ref. AUD | 12.12.19 | 4A).

Ms. Hoehne and Ms. Sieg discussed the results of the recent Delta Dental contract compliance audit, including the steps taken by ETF to investigate and address the audit recommendations (Ref. AUD | 12.12.19 | 4A1). Ms. Hoehne and Ms. Carabell discussed the results of the recent IBM Watson Health audit (Ref. AUD | 12.12.19 | 4A2). The results of both audits were shared with the Group Insurance Board at its November 13, 2019 meeting.

**INTERNAL AUDIT – HEALTH INSURANCE PREMIUM AUDIT:**

Ms. Sze provided an overview of the Health Insurance Premium Audit (Ref. AUD | 12.12.19 | 4B) completed in accordance with the 2020-2021 Biennial Audit Plan. While the audit did not find exceptions in premium processing, significant system limitations and necessary system workarounds were identified. This limited the ability to identify or

quantify any missing adjustments or their financial impact. Some control improvements were recommended for implementation, until the new system modernization effort can be completed.

#### **ANNUAL REVIEW OF INTERNAL AUDIT CHARTER:**

Ms. Sze indicated that there were no recommended updates to the Internal Audit Charter (Ref. AUD | 12.12.19 | 5).

***Mr. Langyel moved to accept the Internal Audit Charter with no changes. Ms. Paul seconded the motion, which passed on a voice vote.***

#### **ANNUAL INDEPENDENCE AFFIRMATION & DISCLOSURES:**

Ms. Sze stated that the Annual Independence Affirmation is complete and complies with Internal Audit Standards. An update on action status from OIA's May 2018 external quality assessment was also provided (Ref. AUD | 12.12.19 | 6).

#### **FRAUD HOTLINE ACTIVITY**

Mr. Onasch provided an update on recent ETF Fraud Hotline activity (Ref. AUD | 12.12.19 | 7), including a matter pertaining to the eligibility of a Long-Term Disability Insurance recipient. Two new Fraud Hotline reports are currently being reviewed by OIA.

#### **FY 2020-2021 AUDIT PLAN STATUS:**

Ms. Sze provided the status of audit projects and reported on other OIA activities for the reporting period from August 27, 2019, through November 14, 2019. Ms. Sze also provided an update on open audit issues (Ref. AUD | 12.12.19 | 8).

#### **ADJOURNMENT**

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

The Committee adjourned at 9:09 a.m.

Date Approved: \_\_\_\_\_

Signed: \_\_\_\_\_  
Michael Langyel, Secretary  
Audit Committee