

DRAFT

MINUTES

December 9, 2020

Audit Committee

Employee Trust Funds Board
State of Wisconsin



Location:

Department of Employee Trust Funds
This meeting was held via teleconference.

COMMITTEE MEMBERS PRESENT:

William Ford, Chair
Leilani Paul, Vice Chair

Michael Langyel, Secretary

PARTICIPATING EMPLOYEE TRUST FUNDS (ETF) STAFF:

Office of Secretary:
Bob Conlin, Secretary

Division of Trust Finance:
Amelia Slaney, Financial Compliance
Bureau Director

Office of Internal Audit (OIA):
Yikchau Sze, Director
Michelle Hoehne, Auditor-Advanced
Kim Richmond, Auditor-Advanced
Amanda Williams, Auditor-Advanced

Office of Strategic Health Policy:
Molly Heisterkamp, Disease
Management & Wellness Program
Manager

OTHERS PRESENT:

ETF Division of Management Services:
Greg Beach, Patrick Hughes, Kadi
Mbanefo

ETF Office of the Secretary:
John Voelker, Cheryllynn Wilkins,
Kathryn Young

ETF Division of Retirement Services:
Anne Boudreau, Jim Guidry, Kathy
Wienkes, Alene Kleczek-Bolin, Andy
Kirchner

ETF Office of Strategic Health Policy:
Tricia Sieg

ETF Division of Trust Finance:
Cindy Klimke-Armatoski, Ramona Yee

Legislative Audit Bureau (LAB):
Lisa Kasel
Sherry Haakenson

Mr. Ford called the Audit Committee (Committee) to order at 9:16 a.m.

Board	Mtg Date	Item #
AUD	03.24.21	1

CONSIDERATION OF MINUTES OF PREVIOUS MEETING

MOTION: Mr. Langyel moved to accept the minutes of the September 16, 2020, Committee meeting, as submitted by the Board Liaison. Ms. Paul seconded the motion, which was passed on a voice vote.

2019 ANNUAL FINANCIAL REPORTS – FINANCIAL REPORTS AND EMPLOYER REPORTING FOR CERTAIN BENEFIT PROGRAMS

Ms. Slaney discussed the 2019 financial reports, including the WRS and State and Local Retiree Life Insurance funds financial statements and related Employer Schedules. (Ref. AUD | 12.09.20 | 3). The audit completed by the LAB resulted in unmodified audit opinions. Ms. Kasel provided some additional detail on the LAB audit. The 2019 Comprehensive Annual Financial Report will be issued at a later date.

THIRD-PARTY ADMINISTRATOR AUDIT RESULTS

Ms. Heisterkamp provided an overview of a recently completed audit of Staywell, the third-party administrator for the State's wellness program. (Ref. AUD | 12.09.20 | 4A) The audit focused on the administration of wellness incentive processing and payments and performance metric calculations. Segal, the contracted auditor, identified some instances of overpayments and performance guarantee calculation errors. Segal also made recommendations for Staywell pertaining to recordkeeping, including additional reconciliation and audit procedures.

Mr. Ford referred the Committee to the written report showing the results of an audit of Navitus, the pharmacy benefits manager for the State and Wisconsin Public Employers Group Health Insurance Programs (Ref. AUD | 12.09.20 | 4B).

INTERNAL AUDIT RESULTS

Disability Annuity Benefit Audit:

Ms. Richmond provided an overview of the Disability Annuity Benefit Audit (Ref. AUD | 12.09.20 | 5A) completed in accordance with the 2020-2021 Biennial Audit Plan. The audit was conducted to evaluate the design and operating effectiveness of controls over the processing of Disability Annuity Benefits for 2018 and 2019. While the audit found no significant gaps in the design of internal controls and did not identify any material exceptions from testing, minor potential process improvements were communicated to management.

Special Projects – Employer Reporting:

Ms. Williams and Ms. Sze presented information from a special project to provide a process overview and risk assessment of employer reporting of data to ETF. This review was a result of inquiries from members of the Committee. Ms. Williams discussed the background on employer reporting, internal controls, and employer monitoring and guidance. Ms. Sze discussed OIA's assessment of internal controls, limitations, challenges, and the overall assessment of risk. Improvement opportunities,

such as tailored training, additional employer compliance review, and payroll cycle reconciliation were discussed.

ANNUAL REVIEW OF INTERNAL AUDIT CHARTER

Ms. Sze provided recommended changes to the Internal Audit Charter to better align with Internal Audit Standards (Ref. AUD | 12.09.20 | 6).

MOTION: Mr. Ford moved to accept the Internal Audit Charter as proposed. Ms. Paul seconded the motion, which passed on a voice vote.

ANNUAL INDEPENDENCE AFFIRMATION & DISCLOSURES

Ms. Sze stated 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 | 12.09.20 | 7).

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 21, 2020 through November 13, 2020. Ms. Sze also provided an update on open audit issues (Ref. AUD | 12.09.20 | 8).

CLOSED SESSION

Mr. Ford announced that the Committee is going into closed session to discuss information from audit projects with a sensitive nature related to bank account data and information security.

Unless there is an objection, Mr. Ford, as the Committee Chair, will be the sole Committee member to return to open session and announce the action taken on these items and adjourn the meeting. No objections were made.

MOTION: Mr. Langyel moved to convene in closed session pursuant to the exemptions contained in Wis. Stats. § 19.85 (1) (d) to consider strategy for crime detection or prevention. Ms. Paul seconded the motion, which passed on the following roll call vote:

Members Voting Aye: William Ford, Leilani Paul, Michael Langyel

The Committee convened in closed session at 10:38 a.m. and adjourned at 11:29 a.m.

**ANNOUNCEMENT OF ACTION TAKEN ON BUSINESS DELIBERATED DURING
CLOSED SESSION**

Mr. Ford announced that the Committee met in closed session and discussed the Member Bank Account Setup and Change Audit. They also discussed ETF's Information Technology Network Security Audit and Security Management Strategy.

ADJOURNMENT

Mr. Ford adjourned the meeting at 11:33 a.m.

Date Approved: _____

Signed: _____
Michael Langyel, Secretary
Audit Committee