

DRAFT

MINUTES

December 9, 2021

Audit Committee

Employee Trust Funds Board
State of Wisconsin



Location:

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

COMMITTEE MEMBERS PRESENT:

Leilani Paul, Chair
Amy Mizialko, Vice Chair
Kate Lounsbury, Secretary

PARTICIPATING EMPLOYEE TRUST FUNDS (ETF) STAFF:

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

OTHERS PRESENT:

ETF Division of Management Services:
Patrick Hughes, Kadi Mbanefo

ETF Division of Retirement Services:
Anne Boudreau, Jim Guidry

ETF Division of Trust Finance:
Cindy Klimke-Armatoski, Amelia
Slaney

ETF Office of Strategic Health Policy:
Eileen Mallow, Brian Stamm, Tom
Rasmussen, Tricia Sieg

ETF Office of the Secretary:
John Voelker, Shirley Eckes, Pam
Henning, Cherylynn Wilkins, Kathryn
Young, Kim Schnurr

Legislative Audit Bureau:
Erin Scharlau, Bridget Wieser

Ms. Paul called the Audit Committee (Committee) to order at 9:00 a.m.

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ANNOUNCEMENTS

Introductions were made between new Committee members, Ms. Mizialko and Ms. Lounsbury and ETF's OIA team, Ms. Sze, Ms. Hoehne, and Ms. Williams.

Consideration of Minutes of Previous Meeting

MOTION: Ms. Paul moved to accept the open minutes of the September 17, 2021, Committee meeting, as submitted by the Board Liaison. Ms. Mizialko seconded the motion, which passed on a voice vote.

Election of Officers

Ms. Paul opened nominations for the election of officers. Ms. Paul, Vice Chair, assumed the office of Chair for the remainder of the term.

MOTION: Ms. Mizialko moved to nominate herself as Vice Chair. Ms. Lounsbury nominated herself Secretary. Ms. Lounsbury seconded the motion, which passed on a voice vote.

Calendar Year 2020 Financial Audit by Legislative Audit Bureau (LAB)

Ms. Scharlau discussed the 2020 Annual Comprehensive Financial Report (ACFR) of the Department of Employee Trust Funds (ETF) (Ref. AUD | 12.09.21 | 4). The LAB audit resulted in an unmodified audit opinion. A significant deficiency of internal controls was identified in the review of the claims benefits for the Employee Reimbursement Account (ERA)/Commuter Benefit (CB) Program. During the audit, three claims out of a total of 358,520 claims processed were identified as exceptions. A recommendation was provided by LAB for ETF to work with the third-party administrator (TPA) to ensure claims are substantiated, and to improve monitoring of the TPA and its subservice organizations. LAB did not identify any material weaknesses or noncompliance in its review.

Third-Party Administrator Contract Compliance Audits Oversight

Ms. Hoehne described OIA's oversight role at ETF in the TPA contract compliance audits and the annual Service Organization Control (SOC) Report (Ref. AUD | 12.09.21 | 5). The compliance audits during 2021 were completed by external auditors to ensure proper controls were established and operating effectively. While ETF also receives SOC reports from TPAs, the SOC reports ensure controls are in place at the TPA but does not indicate if these controls are sufficient. Therefore, ETF relies on the TPA compliance audits to ensure TPAs have sufficient controls in their administration of ETF's programs.

In 2017 OIA created a formal SOC reporting review process on behalf of ETF management. While OIA facilitates the review of the SOC 1 reports, the Bureau of Information Security Management (BISM) completes the SOC 2 report reviews, in keeping with its information security responsibilities at ETF. OIA provides several functions for the control compliance audits, including assistance in drafting the Request for Proposal (RFP) for external auditors

to complete the TPA audits, assist in the statement of work development for the TPA audits, review the draft and final audit reports, and provide feedback to program managers and external auditors.

In 2022, OIA plans to insource the ERA/CB/HSA compliance audit, and potentially insource other audits in future years, as OIA staffing resources allow. The compliance audit results for the Pharmacy and Uniform Dental Benefits (UDB) programs were discussed and were previously presented to the Group Insurance Board.

Annual Review of Audit Committee Charter

Ms. Sze requested the approval of the Audit Committee Charter (Ref. AUD | 12.09.21 | 6). The Committee went through an extensive review of the charter in 2018. No changes are recommended at this time.

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

Annual Review of Internal Audit Charter

Ms. Sze provided recommended changes to the Internal Audit Charter and included a footnote regarding the current limitations on the functional reporting relationship the OIA Director has with the Committee. Additional language changes were made in the *Independence and Objectivity* section to describe how an instance of interference between OIA and the Committee would be handled (Ref. AUD | 12.09.21 | 7). Ms. Paul provided the Committee with context on the changes as they relate to a recommendation OIA received from an external quality assessment review.

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

Annual Independence Affirmation and Disclosures

Ms. Sze confirmed the Annual Independence Affirmation is complete and complies with Internal Audit Standards (Ref. AUD | 12.09.21 | 8). Ms. Sze also provided an update on ETF efforts to change statutes to comply with a recommendation from the May 2018 external quality assessment review. That recommendation, to change the reporting structure for OIA to ensure independence in both fact and appearance, requires statutory changes. ETF included such changes in its latest budget request; however, the changes were not accepted. ETF will continue working with the legislature to pursue changes that would align with Internal Audit Standards.

FY 2022-2023 AUDIT PLAN STATUS:

Ms. Sze provided the status of audit engagements and reported on other OIA activities for the period from August 19, 2021, through November 12, 2021. Ms. Sze also provided an update on open audit issues (Ref. AUD | 12.09.21 | 9).

ADJOURNMENT

MOTION: Ms. Paul moved to adjourn the meeting. Ms. Lounsbury seconded the motion, which passed on a voice vote.

The Committee adjourned at 9:42 a.m.

Date Approved: _____

Signed: _____
Kate Lounsbury, Secretary
Audit Committee