

DRAFT

# MINUTES

March 24, 2022

## Audit Committee

Employee Trust Funds Board  
State of Wisconsin



## Location:

Hill Farms State Office Building – Room N134  
4822 Madison Yards Way, Madison, WI 53705

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## COMMITTEE MEMBERS PRESENT:

Leilani Paul, Chair  
Katy Lounsbury, Secretary

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## COMMITTEE MEMBERS ABSENT:

Amy Mizialko, Vice Chair

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## PARTICIPATING EMPLOYEE TRUST FUNDS (ETF) STAFF:

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

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## OTHERS PRESENT:

ETF Division of Management Services:  
Bonnie Cyganek, Patrick Hughes

ETF Division of Trust Finance:  
Marie Ruetten

ETF Division of Retirement Services:  
Anne Boudreau, Jim Guidry

ETF Office of the Secretary:  
John Voelker

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Ms. Paul called the Audit Committee (Committee) to order at 8:00 a.m.

## ANNOUNCEMENTS

Ms. Sze introduced Ms. Bauknecht who joined OIA in February 2022.

Board	Mtg Date	Item #
AUD	6.23.22	2

## CONSIDERATION OF MINUTES OF PREVIOUS MEETING

***MOTION: Ms. Lounsbury moved to accept the minutes of the December 9, 2021, Committee meeting, as submitted by the Board Liaison. Ms. Paul seconded the motion, which passed on a voice vote.***

## ELECTION OF OFFICERS

Ms. Paul opened nominations for the election of officers.

***MOTION: Ms. Lounsbury moved to nominate the current slate of officers: Ms. Paul as Chair, Ms. Mizialko as Vice Chair and Ms. Lounsbury as Secretary. Ms. Paul seconded the motion, which passed on a voice vote.***

## INTERNAL AUDIT RESULTS

### **Wisconsin Retirement System (WRS) Account Closure Audit**

Ms. Williams discussed the results of the WRS Account Closure Audit (Ref. AUD | 3.24.22 | 4) completed in accordance with the fiscal year (FY) 2022-2023 Internal Audit Plan. The audit reviewed the controls over the closure of WRS accounts and the Non-Compare Process, including looking at accounts closed and non-compare transactions processed between January 1, 2020 and June 30, 2021. Non-compare transactions are generated when there is a remaining balance on a closed account. This is usually due to either an error in closing the account or transactions that were processed on the closed account, including late-reported earnings transactions or termination adjustments by the employer. While no material concerns were noted, recommendations were made to strengthen internal controls, including improving the account closure form review process and performing secondary reviews prior to processing write-offs in the non-compare process. Additional process improvement considerations to increase efficiency were noted, including adjusting the Non-Compare Report, review of disability-related pending non-compare transactions, and additional collaboration on shared business processes among the ETF business areas involved.

### **Enterprise Content Management (ECM) Record Processing Consulting Review**

Ms. Hoehne discussed the results of the ECM Record Processing Consulting Review (Ref. AUD | 3.24.22 | 5) completed in accordance with the FY 2022-2023 Internal Audit Plan. The review looked at record processing and related controls under the prior myETF system and the OnBase system implemented in November 2021. This review also incorporated some limited analysis regarding the ECM system migration process, as well as a separately requested project to review security over medical information at ETF.

There were no significant issues identified within the review. However, the review concluded that records processing is a manual process susceptible to human error. Some

modernization efforts were identified, which are being considered by management. Modernization changes would improve efficiency and reduce risk. Other process improvement considerations were provided to management, and some document access issues were identified and resolved as part of this review.

While a full-scale review of OnBase implementation was not in scope for this project, some limited review of system testing, user training, and document migration was included in the review. While significant concerns were not identified based on limited observations made and discussions with staff, some documentation of system implementation related initiatives was not complete. This included tracking completion of business area procedural updates and compiling readily available project documentation to show complete and accurate migration of documents to the new system. A recommendation was made to management to ensure significant project documentation — showing completed project initiatives — is completed timely for future projects. Ms. Lounsbury asked about management's acceptance of the recommendations. Ms. Hoehne indicated that management agreed and recognized the importance of the project documentation in hindsight. Ms. Paul asked about whether a post-implementation review of the operational effectiveness of the system would be completed after a specified time period. Mr. Voelker indicated that management would consider opportunities to review the operation of the system as additional system enhancements are made.

#### **WRS Annuity Benefits Periodic Review**

Ms. Williams discussed the results of the Annuity Calculation Limited Review (Ref. AUD | 3.24.22 | 6). This review determines whether retirement and disability annuity payments are being calculated and distributed correctly and timely and is included on the FY 2022-2023 Internal Audit Plan to be conducted on a periodic basis. The provided report includes the results from two different review periods (November 2020 - April 2021 and May 2021 – November 2021). Due to an annuity calculation error identified in each of the review periods affecting an annuity benefit, a suggestion was made to management to reinforce the importance of secondary reviews, consider options for recalculations of the benefits during the secondary review, and provide additional training, if needed.

#### **THIRD-PARTY ADMINISTRATOR CONTRACT COMPLIANCE REVIEW – INCOME CONTINUATION INSURANCE (ICI)**

Ms. Hoehne provided an overview of a recently completed contract compliance review of The Hartford, the third-party administrator for the ICI program (Ref. AUD | 3.24.22 | 7). ETF retained Wipfli LLP to conduct the review, which covered calendar years 2018-2020. Wipfli's review included recommendations for The Hartford regarding training and oversight on claim processing, performing internal reviews on a sample of claims and documents processed, and reconciling between variances in quarterly and annual claim reports. The Hartford has taken steps to address all of the recommendations included in the review.

**FY 2022-2023 AUDIT PLAN STATUS**

Ms. Sze provided the status of audit engagements and reported on other OIA activities for the period from November 13, 2021, through February 24, 2022. Ms. Sze also provided an update on open audit issues (Ref. AUD | 3.24.22 | 8).

**ADJOURNMENT**

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

The Committee adjourned at 8:47 a.m.

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

Signed: \_\_\_\_\_  
Kate Lounsbury, Secretary  
Audit Committee