

**DRAFT**

# MINUTES

**September 22, 2022**

## **Audit Committee**

Employee Trust Funds Board  
State of Wisconsin



## **Location:**

Hill Farms State Office Building – Room N107  
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  
Kurt Petrie, Auditor-Advanced  
Amanda Williams, Auditor-Advanced

Office of the Secretary:  
John Voelker, Secretary

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## **OTHERS PRESENT:**

ETF Division of Retirement Services:  
Anne Boudreau, Alene Kleczek, Jim  
Guidry, Liz Bush \*

ETF Office of the Secretary:  
Kathryn Young

ETF Division of Trust Finance:  
Marie Ruetten \*

Legislative Audit Bureau:  
Bridget Wieser \*

ETF Office of Legal Services:  
Laura Brauer

\* Attended via teleconference

Ms. Paul called the Audit Committee (Committee) to order at 8:00 a.m. A quorum of the Committee was not present, but the meeting proceeded without action being taken until after a Committee member subsequently arrived.

Board	Mtg Date	Item #
AUD	12.08.22	2

## **INTERNAL AUDIT – SICK LEAVE REPORTING AUDIT**

Mr. Petrie discussed the results of the Sick Leave Reporting Audit (Ref. AUD | 9.22.22 | 3) completed in accordance with the FY 2022-2023 Internal Audit Plan. The audit evaluated the design and operating effectiveness of internal controls over the processing of sick leave certification forms submitted and processed by ETF in 2021 through the first quarter of 2022. The review also included looking at the application of the 500-hour Supplemental Health Insurance Conversion Credit (SHICC) restoration rule, as well as reviewing access to the Accumulated Sick Leave (AcSL) application.

Overall, the audit concluded that most internal controls were operating effectively but identified several opportunities for internal control improvement and increased operational efficiency. Audit recommendations included: (1) improving AcSL programming and staff processing and review for the number of years used in University of Wisconsin faculty's SHICC calculations; (2) improvement in staff review of employment category and improvement of presentation of the employment category on the sick leave form; (3) clearly defining how a year of service is determined and making any necessary related adjustments to AcSL programming; (4) logging of sick leave reporting issues and continued improvement in employer resources and training efforts; (5) AcSL programming improvements including data validation checks and improvement in notation of when the 500-hour SHICC restoration rule is applied; and (6) implementing a secondary review of access to be completed by the AcSL application business owner. Other process improvement suggestions included considering automated emails to employers to complete sick leave certification forms upon sick leave contract creation and obtaining access to members' sick leave balance information for review as necessary.

Ms. Lounsbury joined the meeting at 8:05 a.m.

## **THIRD-PARTY ADMINISTRATOR (TPA) SYSTEM AND ORGANIZATION CONTROLS (SOC 1) REPORT REVIEW FOR CALENDAR YEAR (CY) 2021**

Ms. Bauknecht provided an overview of the TPA SOC 1 report review for CY 2021, which is a component of ETF's TPA oversight procedures (Ref. AUD | 9.22.22 | 4). Ongoing consulting for TPA oversight, including the SOC 1 report review, is included on the FY 2022-2023 Internal Audit Plan. Ms. Bauknecht explained the purpose for reviewing SOC reports, the roles of ETF program managers, OIA, and the Bureau of Information Security Management in the review process and the results of the CY 2021 SOC 1 report review completed in June 2022. Overall, the review concluded that any control exceptions noted in the TPA SOC 1 reports did not have a significant or adverse effect on ETF programs. Improvements made to the review process this year included additional communications to participating employers and payroll centers, as well as expanded assessment of TPA subservice organizations.

## CONSIDERATION OF MINUTES OF PREVIOUS MEETING

***MOTION: Ms. Lounsbury moved to accept the minutes of the June 23, 2022, Committee meeting, as submitted by the Board Liaison. Ms. Paul seconded the motion, which passed on a voice vote.***

## FY 2022-2023 AUDIT PLAN STATUS

Ms. Sze provided the status of audit engagements and reported on other OIA activities for the period from May 26, 2022, through August 26, 2022. Ms. Sze also provided an update on open audit issues (Ref. AUD | 9.22.22 | 5).

## ADJOURNMENT

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

The Committee adjourned at 8:30 a.m.

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

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