

DRAFT

MINUTES

December 8, 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

COMMITTEE MEMBERS PRESENT:

Leilani Paul, Chair
Amy Mizialko, Vice Chair *

COMMITTEE MEMBERS ABSENT:

Katy Lounsbury, Secretary

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

OTHERS PRESENT:

ETF Bureau of Budget, Contract
Administration & Procurement:
Tim Steiner

ETF Division of Management Services:
Barry Tucker

ETF Division of Retirement Services:
Jim Guidry, John Streich *

ETF Division of Trust Finance:
Marie Ruetten, Tanya Holcomb *,
Andrew Lacy *

ETF Office of Legal Services:
Diana Felsmann, Laura Brauer

ETF Office of the Secretary:
Kathryn Young

ETF Office of Strategic Health Policy:
Molly Dunks *, Tricia Sieg *

* Attended via teleconference

Ms. Paul called the Audit Committee (Committee) to order at 8:04 a.m.

Board	Mtg Date	Item #
AUD	03.23.23	2

Consideration of Minutes of Previous Meeting

MOTION: Ms. Mizialko moved to accept the minutes of the September 22, 2022, Committee meeting, as submitted by the Board Liaison. Ms. Paul seconded the motion, which passed on a voice vote.

Internal Audit – Department Terms and Conditions Audit

Ms. Hoehne discussed the results of the Department Terms and Conditions (DTC) Audit (Ref. AUD | 12.08.22 | 3) completed in accordance with the FY 2022-2023 Internal Audit Plan. The audit evaluated whether ETF had processes in place to ensure DTCs are appropriately maintained and applied. There were no significant concerns with DTC maintenance and application identified. However, the audit identified two process improvement suggestions for management including 1) completing a crosswalk from Department of Administration (DOA) terms and conditions to ETF's DTCs or other contract documentation, and 2) ensuring consistent language is used discussing ETF's willingness to negotiate minor issues with required DTCs.

Internal Audit – Interest Crediting Audit

Ms. Williams discussed the results of the Interest Crediting Audit (Ref. AUD | 12.08.22 | 4) completed in accordance with the FY 2022-2023 Internal Audit Plan. The audit evaluated the design and operating effectiveness of internal controls over the interest crediting process, focusing on interest credited to active and inactive Wisconsin Retirement System accounts for calendar year 2021.

Overall, the audit did not identify any concerns with the interest crediting process. However, the audit identified two process improvement suggestions for management. These suggestions include 1) updating written procedures for the interest crediting process and 2) updating the Rights Codes on 10 accounts, along with the data quality report that is used to identify mismatches in the assigned Rights Codes.

Third-Party Administrator (TPA) Contract Compliance Oversight

Ms. Hoehne provided a summary of TPA contract compliance oversight completed for CY 2022, which is a component of ETF's TPA oversight procedures (Ref. AUD | 12.08.22 | 5). Ongoing consulting for TPA oversight is included on the FY 2022-2023 Internal Audit Plan. Included with the summary provided, were the results of recently completed audits for Pharmacy Benefit Administration and the Wellness Program Administration. The Pharmacy Benefit Administration audit concluded that the programs were being administered per the plan design documentation, with one recommendation for impact analysis on two claims processed and paid without required prior authorization. The Wellness Program Administration audit identified areas for

improvement in data used for tax withholding purposes and data provided for future audits, as well as review of minor performance guarantee calculation discrepancies.

Ms. Hoehne also discussed other TPA contract compliance oversight engagements currently in progress and planned future engagements. OIA is working with ETF management to assess if insourcing certain future contract compliance engagements may be beneficial to ETF's oversight. Ms. Paul asked about resources and how these audits may fit into the biennial audit plan. Ms. Sze indicated this would be part of the next biennial audit planning considerations and ongoing budget and resource discussions.

Annual Review of Audit Committee Charter

Ms. Sze proposed three changes to the Committee Charter (Ref. AUD | 12.08.22 | 6), including: 1) Adding language to improve discussion on the Committee's responsibilities; 2) Updating the annual financial report reference to be consistent with the current naming convention; and 3) Specifying the frequency of the Internal Audit Charter review.

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 proposed two changes to the Internal Audit Charter that included language that clarifies the reporting process of known fraud incidents and a correction of a minor formatting issue. (Ref. AUD | 12.08.22 | 7).

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

In accordance with Internal Auditing Standards, Ms. Sze confirmed to the Committee the independence of the internal audit function at ETF and reported on the results of the quality assurance and improvement program of the OIA (Ref. AUD | 12.08.22 | 8). An external assessment of OIA, which is required by the Standards to be completed every five years, is being planned for 2023. The only outstanding recommendation from the 2018 external assessment, which requires a statutory change to create an independent OIA, is again being pursued through ETF's biennial budget request.

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 26, 2022, through November 10, 2022. Ms. Sze also provided an update on open audit issues (Ref. AUD | 12.08.22 | 9).

OnBase and Semarchy Security Controls Assessment

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

Members Voting Aye: Mizialko, Paul

Members Absent: Lounsbury

Announcement of Business Deliberated during Closed Session

Ms. Paul announced that the Committee met in closed session to hear a presentation from Janus regarding its assessment of the OnBase and Semarchy security controls. No action was taken.

Adjournment

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

The Committee adjourned at 9:02 a.m.

Date Approved: _____

Signed: _____
Katy Lounsbury, Secretary
Audit Committee