

DRAFT

MINUTES

June 22, 2023

Audit Committee

Employee Trust Funds Board
State of Wisconsin



Location:

Hill Farms State Office Building – Room N107
4822 Madison Yards Way, Madison, WI 53705
7:46 a.m. – 9:01 a.m.

COMMITTEE MEMBERS PRESENT:

Angela Miller, Chair
Katy Lounsbury, Vice Chair*
Amy Mizialko, Secretary*

PARTICIPATING EMPLOYEE TRUST FUNDS (ETF) STAFF:

Office of Internal Audit (OIA):	Office of the Secretary:
Yikchau Sze, Director	John Voelker, Secretary
Shellee Bauknecht, Auditor-Advanced	Kimberly Schnurr, Board Liaison*
Michelle Hoehne, Auditor-Advanced	
Kurt Petrie, Auditor-Advanced	
Amanda Williams, Auditor-Advanced	

OTHERS PRESENT:

ETF Staff:	Legislative Audit Bureau (LAB):
Michelle Baxter, Annamarie Cummings, Victor Dupuy, Diana Felsmann, Kathryn Young	Lauren Gingell*

Mr. Voelker called the Audit Committee (Committee) to order at 7:46 a.m, in lieu of the Committee not having an appointed Chair at the beginning of the meeting.

ANNOUNCEMENTS

Mr. Voelker introduced Ms. Miller, who is joining the Committee to fill the vacant position.

* Attended via teleconference.

Board	Mtg Date	Item #
AUD	09.21.23	2A

Ms. Sze announced that the Association of Public Pension Fund Auditors' conference, co-hosted by ETF's Office of Internal Audit and the State of Wisconsin Investment Board Internal Audit staff, was a great success with approximately 75 individuals from pension funds around the country attending.

CONSIDERATION OF MARCH 23, 2023, OPEN SESSION MEETING MINUTES

MOTION: Ms. Lounsbury moved to approve the open session minutes of the March 23, 2023, meeting as submitted by the Board Liaison. Ms. Miller seconded the motion, which passed unanimously on a voice vote.

ELECTION OF OFFICERS

Mr. Voelker and Ms. Sze described the roles and responsibilities of each officer position and called for officer nominations (Ref. AUD | 06.22.23 | 3).

MOTION: Ms. Miller moved to nominate herself as Chair, Ms. Lounsbury as Vice Chair, and Ms. Mizialko as Secretary of the Audit Committee. Ms. Lounsbury seconded the motion, which passed unanimously on a voice vote.

OFFICE OF INTERNAL AUDIT QUALITY ASSURANCE SELF-ASSESSMENT

Mr. Petrie discussed the International Standards for the Professional Practice of Internal Auditing's (*Standards*) requirement for completing an external quality assessment every five years. As previously discussed with the Committee, OIA is meeting this requirement for 2023 by performing a self-assessment, with independent external validation to be completed by Virginia Retirement System audit staff this summer (Ref. AUD | 03.23.23 | 8). Mr. Petrie provided a synopsis of the 2018 assessment results and corrective action taken and presented the work performed for and the results of OIA's self-assessment component completed for the 2023 assessment (Ref. AUD | 06.22.23 | 4). The external validation of the self-assessment results is planned to be presented to the Committee in September.

The self-assessment concluded that ETF's OIA "Generally Conforms" to the *Standards*, which is the highest of three possible ratings. The review provided three areas to be addressed where partial conformance occurred. These included the organizational independence of OIA, improving documentation of, and Board involvement in, the risk-based audit plan development and improved documentation of engagement supervision. Mr. Petrie stated that the organization independence issue is a repeat from the prior assessment. Mr. Voelker indicated that ETF has attempted to address this, but the legislature has not been willing to take up the necessary statutory changes required. A few other continuous improvement suggestions were included in the report as well.

STATUS OF INTERNAL AUDIT PLAN FOR FISCAL YEAR (FY) 2022-2023

Ms. Sze provided a completion update of the FY 2022 - FY 2023 Internal Audit Plan (Ref. AUD | 06.22.23 | 6). OIA has completed and reported 12 projects to the Committee as of May 2023 and is on target to complete four more engagements to report to the Committee at the September meeting. Two outstanding data analytic-focused projects will be re-evaluated and incorporated into the data analytics initiative OIA has included in the FY 2024 - FY 2025 Internal Audit Plan. JANUS completed three of seven planned information technology projects as a result of balancing identified risks with the availability of ETF staff to assist with the planned audits. Additionally, Ms. Sze provided an update on open audit issues.

INTERNAL AUDIT PLAN FOR BIENNIAL PERIOD FY 2024 AND FY 2025

Ms. Sze presented the draft Internal Audit Plan for FY 2024 - FY 2025 (Ref. AUD | 06.22.23 | 7). Ms. Sze provided a summary of how the plan was developed, the types of engagements included, and the risk themes and audit focus areas covered. Committee approval of the Internal Audit Plan was requested.

MOTION: Ms. Mizialko moved to approve the proposed audit plan. Ms. Lounsbury seconded the motion, which was passed unanimously on a voice vote.

WISCONSIN DEFERRED COMPENSATION (WDC) PROGRAM FINANCIAL STATEMENT AUDIT

Ms. Bauknecht stated that Wipfli issued an unqualified or “clean” opinion, indicating that the WDC financial statements are free from material misstatement (Ref. AUD | 06.22.23 | 8). The audit was approved by the Deferred Compensation Board on June 8, 2023. Ms. Bauknecht provided some additional information about a data breach by Wipfli administrative staff that occurred during the audit and the resulting corrective action taken.

INTERNAL AUDIT – PORTFOLIO INTAKE PROCESS REVIEW

Mr. Petrie shared the results of the OIA consulting review performed of ETF’s intake processes for projects and strategic initiatives (Ref. AUD | 06.22.23 | 5) in accordance with the FY 2022 - FY2023 Biennial Audit Plan. The review looked at the efficiency and effectiveness of these processes, as well as project review and monitoring, from January 2020 – October 2022.

The review included several enhancement suggestions relating to project review and approval. These included ensuring estimated hours are approved and not exceeded without further approval; ensuring success measures are included on change requests; adding an approved to actual hours spent metric; and a suggested improvement to monthly reporting.

In addition, pertaining to strategic initiatives, it was recommended that the Secretary's Office Policy Advisor attend Portfolio Committee meetings discussing strategic initiatives and that post-initiative implementation impact on staff is estimated during the approval process.

BREACH RESPONSE READINESS

Ms. Miller announced that the Committee is going into closed session to hear a presentation from JANUS regarding the Breach Response Readiness Assessment performed (Ref. AUD | 06.22.23 | 11).

MOTION: Ms. Lounsbury moved to convene in closed session, pursuant to the exemptions contained in Wis. Stat. § 19.85 (1) (d) to listen to a presentation by JANUS regarding Breach Response Readiness. Ms. Mizialko seconded the motion, which passed on the following roll call vote:

Ayes: Miller, Lounsbury, Mizialko.

Nays: None.

The Committee convened in closed session at 8:32 a.m.

The Committee returned to open session at 9:00 a.m.

ANNOUNCEMENT OF BUSINESS DELIBERATED DURING CLOSED SESSION

Ms. Miller announced that the Committee met in closed session to hear a presentation from JANUS regarding ETF's Breach Response Readiness. No action was taken.

ADJOURNMENT

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

The Committee adjourned at 9:01 a.m.

Date Approved: _____

Signed: _____

Amy Mizialko, Secretary
Audit Committee