

DRAFT

MINUTES

December 14, 2023

Audit Committee

Employee Trust Funds Board
State of Wisconsin



Location:

This meeting was held via teleconference.
8:03 a.m. – 8:53 a.m.

COMMITTEE MEMBERS PRESENT:

Angela Miller, Chair

Katy Lounsbury, Vice Chair

COMMITTEE MEMBERS ABSENT:

Amy Mizialko, 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
Kimberly Schnurr, Board Liaison

OTHERS PRESENT:

ETF Staff:

Taylor DeBroux, Tim Steiner

Legislative Audit Bureau (LAB):

Lauren Gingell

Ms. Miller, Chair, called the Audit Committee (Committee) to order at 8:03 a.m.

CONSIDERATION OF OPEN MINUTES OF SEPTEMBER 21, 2023, MEETING

MOTION: Ms. Lounsbury moved to accept the open minutes of the September 21, 2023, meeting as submitted by the Board Liaison. Ms. Miller seconded the motion, which passed unanimously on a voice vote.

INTERNAL AUDIT REPORTS

Chapter 40 Procurement Process Audit

Board	Mtg Date	Item #
AUD	03.28.24	2A

Ms. Hoehne referred the Committee to the report for the Chapter 40 Procurement Process Audit (Ref. AUD | 12.14.23 | 3A), completed in accordance with the fiscal year (FY) 2022 - FY 2023 Biennial Audit Plan. The audit looked at the documentation, transparency, and whether appropriate controls are included in ETF's process for procurement and contracting of services related to Chapter 40 contracting authority. No significant concerns with the process and controls in place were identified. One process improvement was recommended for management's consideration to include in future contracts that may assist in monitoring vendor performance.

Third-Party Administrator (TPA) Contract Compliance Oversight

Ms. Bauknecht referred the Committee to the TPA Contract Compliance Oversight memo (Ref. AUD | 12.14.23 | 3B), which summarized TPA contract oversight completed for calendar year 2023. Ongoing consulting for TPA oversight was included on the FY 2022 – 2023 Biennial Audit Plan, as well as the FY 2024 - 2025 Biennial Audit Plan. Included with the memo provided, were the results of recently completed audits for Pharmacy Benefit administration and Uniform Dental Benefit (UDB) administration. The Pharmacy Benefit administration audit included a recommendation for ETF to work with the TPA to understand rebate differences. This will be monitored through future audits. The remaining outstanding recommendation from the prior audit was closed based on the results of this audit. The UDB administration audit identified areas for improvement. Including, areas related to performance guarantee measurement and record keeping, identification and evaluation of potential duplicate claims, updates to plan documentation, grievance tracking, overpayment reporting, internal quality audits, and other procedure and workflow improvements. ETF staff will monitor and work with the TPA to make appropriate improvements to the UDB program administration.

Ms. Bauknecht also discussed the role of ETF staff in TPA oversight. The memo provided details about other TPA contract compliance oversight engagements currently in progress and planned future engagements. OIA will be performing several TPA audits, which have traditionally been outsourced. This will lead to a reduction in external contracted costs, allow for additional flexibility and expansion in the scope of engagements performed, and provide ETF with increased control over the quality of work performed.

OIA Data Analytics Project Update

Ms. Williams provided an overview and update on the OIA Data Analytics Project (Ref. AUD | 12.14.23 | 3C). The project, which is intended to build a continuous monitoring program, will allow OIA to identify issues in ETF processes more readily and efficiently and lead to a more proactive and dynamic approach to assurance services. It will also assist in identifying areas of ETF that could benefit from further review through an audit. An overview of the phases of the project was provided, and OIA staff will provide updates to the Audit Committee as further progress is made on this initiative.

ETF Fraud Hotline Report

Ms. Sze provided an overview of ETF's Fraud, Ethics, and Compliance Hotline and referred the Committee to the ETF Fraud Hotline Summary Report (Ref. AUD | 12.14.23 | 3D). The report includes the 29 incidents reported since the establishment of the hotline in 2017, categorizes these by type of issue reported and indicates the timeliness of resolution.

DISCUSSION AND CONSIDERATION

Annual Review of Internal Audit Charter

Ms. Sze indicated that no changes are being proposed to the current Internal Audit Charter during this annual review (Ref. AUD | 12.14.23 | 4A).

MOTION: Ms. Lounsbury moved to approve the Internal Audit Charter with no changes as proposed. Ms. Miller seconded the motion, which was passed on the following roll call vote:

Members Voting Aye: Lounsbury, Miller.

Members Absent: Mizialko.

Annual Independence Affirmations 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 | 12.14.23 | 4B). An external assessment of OIA, which is required by the Standards to be completed every five years, was completed in 2023. Of the three recommendations made by the assessment, one has been closed, one is planned to be implemented in the next biennial audit planning cycle, and the third requires a statutory change to create an independent OIA. This independent OIA recommendation has been outstanding since the prior assessment, with ETF attempts to make statutory changes through the state budget process not successfully going through legislative approval.

FY 2024–FY 2025 BIENNIAL AUDIT PLAN UPDATE

Ms. Sze provided the status of audit engagements and reported on other OIA activities for the period from August 31, 2023, through November 16, 2023. She also provided an update on open audit issues (Ref. AUD | 12.14.23 | 5). Ms. Miller asked clarifying questions about how audits get on the biennial audit plan, including any issues identified through the Fraud, Ethics, and Compliance Hotline. Ms. Sze provided more detail on the review of incidents reported to the hotline. Mr. Voelker and Ms. Sze also provided an overview of the OIA risk assessment process used to generate the biennial audit plan.

FUTURE ITEMS FOR DISCUSSION

Ms. Miller asked if Committee members had any topics that they would like to discuss at future Committee meetings. Hearing none, she moved onto the next item on the agenda.

MOVE TO CLOSED SESSION

Ms. Miller announced that the Committee is going into closed session to hear the results of the System and Organization Controls (SOC) 2 Audit performed by OIA.

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

Members Voting Aye: Miller, Lounsbury.

Members Absent: Mizialko.

The Committee convened in closed session at 8:42 a.m. and returned to open session at 8:52 a.m.

ANNOUNCEMENT OF BUSINESS DELIBERATED DURING CLOSED SESSION

Ms. Miller announced that the Committee met in closed session to hear a presentation from OIA regarding the SOC 2 Audit results. 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 8:53 a.m.

Date Approved: _____

Signed: _____
Amy Mizialko, Secretary
Audit Committee