

DRAFT

MINUTES

March 28, 2024

Audit Committee

Employee Trust Funds Board
State of Wisconsin



Location:

Hill Farms State Office Building – Room N107
4822 Madison Yards Way, Madison, WI 53705
8:00 a.m. – 8:23 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

Office of Strategic Health Policy (OSHP):

Eileen Mallow, Director*

OTHERS PRESENT:

ETF Staff:

Cindy Klimke, Mallory Nordin, Amelia Slaney

Legislative Audit Bureau (LAB):

Erin Scharlau, Lauren Gingell

Teachers Retirement Board:

Michael Abler*

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

* Attended virtually.

Board	Mtg Date	Item #
AUD	06.20.24	2

CONSIDERATION OF OPEN AND CLOSED MINUTES OF DECEMBER 14, 2023, COMMITTEE MEETING ([Ref. AUD | 03.28.24 | 2A](#))

MOTION: Ms. Lounsbury moved to approve the open and closed session minutes of the December 14, 2023, meeting as submitted by the Board Liaison. Ms. Miller seconded the motion, which passed unanimously on a voice vote.

ELECTION OF OFFICERS ([Ref. AUD | 03.28.24 | 3](#))

Ms. Miller announced the current officers of the Audit Committee were Angela Miller as Chair, Katy Lounsbury as Vice Chair, and Amy Mizialko as Secretary.

Ms. Miller asked for nominations for a slate of officers of the Audit Committee.

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

CALENDAR YEAR 2022 FINANCIAL AUDIT BY THE LEGISLATIVE AUDIT BUREAU (LAB)

Ending Audit Communication ([Ref. AUD | 03.28.24 | 4A](#)), LAB Report 24-1 ([Summary and Full Report](#)), 2022 ETF Annual Comprehensive Financial Report ([Ref. AUD | 03.28.24 | 4B](#))

Ms. Scharlau discussed the calendar year 2022 audit of ETF's Annual Comprehensive Financial Report (ACFR) completed by LAB. She indicated that an unmodified, or "clean," opinion was issued on the financial statements for all of the separate funds included in the ACFR. LAB did not identify any material weaknesses or significant deficiencies in internal controls. Additionally, no issues of noncompliance or other significant issues were identified during the audit.

INTERNAL AUDIT REPORTS

Health Plan Performance Standards Review ([Ref. AUD | 03.28.24 | 5A](#))

Ms. Williams discussed the Health Plan Performance Standards Review that was conducted as requested by OSHP management. The review's objective was to ensure the accuracy and completeness of the Quarterly Performance Standards Reports submitted by the health plans to ETF and to provide potential improvements in the internal review and reporting of performance standard achievement. Included in the review were the quarterly reports submitted for the reporting periods covering January 2022 through March 2023.

The review included three recommendations for OSHP management. Based on errors in all but one of the manually compiled quarterly Group Insurance Board (GIB) summary reports reviewed, OIA recommended that OSHP perform a secondary review of the GIB summary reports for accuracy. OIA requested the underlying performance standards data that has previously not been reviewed by ETF and found inconsistent methodologies of calculating performance. They also found calculation discrepancies for seven health plans. One of the calculation discrepancies resulted in an additional penalty being assessed by ETF. Therefore, OIA recommended that a periodic review of the performance standards submitted be performed to ensure the health plans are providing correct metrics. Additionally, it was recommended that OSHP review and update wording in the performance standards to clarify the expected calculations and provide additional guidance as necessary.

Ms. Williams indicated that one health plan refused to provide the requested data, and others had limited data available. Since OIA has found this to be the case with multiple ETF vendors, a recommendation was previously made to consider contract penalties for instances when requests for supporting documentation for performance guarantees is not timely or accurately provided [Chapter 40 Procurement Process Audit; Ref. AUD | 12.14.23 | 3A]. This was reiterated in this review.

Management agreed and is working to implement all of the recommendations. Ms. Miller inquired about the health plans' reaction to the recommendations. Ms. Mallow indicated that this was discussed at the annual meeting with the health plans and that they welcomed additional clarifications. Ms. Lounsbury asked about the reason for the one health plan not providing data. Ms. Mallow said that the plan refused based on their interpretation of the Health Insurance Portability and Accountability Act (HIPAA) and indicated that penalties will be added in future health plan contracts for health plans failing to provide the requested data.

DISCUSSION AND CONSIDERATION

FY24 – FY25 Biennial Audit Plan Update ([Ref. AUD | 03.28.24 | 6A](#))

Ms. Sze provided the status of audit engagements and reported on other OIA activities for the period from November 17, 2023, through March 1, 2024. She indicated that OIA was in the process of adjusting the current biennial audit plan in response to the delay of the Insurance Administration System implementation, as a number of the associated projects on the plan would need to be postponed until after implementation. She also provided an update on open audit issues, including one previously closed audit recommendation that was re-opened due to a subsequent OIA review finding that corrective action had not been fully implemented.

FUTURE ITEMS FOR DISCUSSION

Ms. Sze indicated that a revised Audit Plan would be shared with the Committee at the June meeting.

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 8:23 a.m.

Date Approved: _____

Signed: _____
Amy Mizialko, Secretary
Audit Committee