

DRAFT

# MINUTES

September 19, 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  
8:01 a.m. – 8:55 a.m.



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### COMMITTEE MEMBERS PRESENT:

Angela Miller, Chair

Katy Lounsbury, Vice Chair\*

### COMMITTEE MEMBERS ABSENT:

Amy Mizialko, Secretary

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### PARTICIPATING EMPLOYEE TRUST FUNDS (ETF) STAFF:

#### Office of the Secretary:

John Voelker, Secretary  
Kimberly Schnurr, Board Liaison

#### Office of Internal Audit (OIA):

Yikchau Sze, Director  
Shellee Bauknecht, Auditor-Advanced  
Michelle Hoehne, Auditor-Advanced  
Kurt Petrie, Auditor-Advanced  
Amanda Williams, Auditor-Advanced

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### OTHERS PRESENT:

#### ETF Staff:

Laura Brauer, Diana Felsmann, Stephanie Trigsted\*, Renee Walk\*

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Ms. Miller, Chair, called the Audit Committee (Committee) to order at 8:01 a.m.

### ANNOUNCEMENTS

Ms. Sze stated that there were no ETF announcements to report to the Committee.

### CONSIDERATION OF OPEN MINUTES OF JUNE 20, 2024, COMMITTEE MEETING ([Ref. AUD | 09.19.24 | 2](#))

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\* Attended virtually.

Board	Mtg Date	Item #
AUD	12.09.24	2

***MOTION: Ms. Lounsbury moved to approve the open session minutes of the June 20, 2024, meeting as submitted by the Board Liaison. Ms. Miller seconded the motion, which passed unanimously on a voice vote.***

## **INTERNAL AUDIT REPORTS**

### Insurance Administration System (IAS) Program Review ([Ref. AUD | 09.19.24 | 3A](#))

Ms. Sze provided an overview of OIA's Insurance Administration System (IAS) Program Review. The IAS Program Review is a consulting project where OIA provides advisory service to ETF's management without providing assurance or taking on management responsibilities. OIA is conducting independent oversight to provide feedback on IAS program management and verify that key program outcomes are achieved and will be ongoing until the IAS program is successfully implemented.

OIA is using documentation review and evidence testing to verify management oversight is appropriate, status reporting is accurate, key risks are identified and properly treated, necessary testing is completed, and other key project milestones are supported and achieved.

Mr. Petrie shared the August 1, 2024, memo provided to the IAS Program Management Team (PMT) and the ETF Strategic Council that covered the period of March–July 22, 2024. Items noted in the memo included: major project deliverables, overall project timeline development, Monthly IAS Program Risk Review meetings, and program time tracking.

OIA provided several suggestions to management to assess as they continue the IAS project, including:

- Holding Project Teams accountable for their deadlines and ensuring the project management system is up to date on the project status.
- Reassessing the achievability of everything within the project timeline once project charters, scopes, dependencies, and milestones are completed.
- Improving the structure of the Monthly IAS Program Risk Review meetings and providing guidance on the severity ranking of risks.
- OEI management ensuring that it can monitor project level activity effectively and maintain accountability of staff.

Ms. Hoehne walked the Committee through the second memo provided to the IAS PMT and ETF Strategic Council on August 26, 2024, that covered the period July 23, 2024–August 20, 2024. The areas of concern noted in the memo included major project deliverables, project reporting accuracy and status updates, and staffing turnover. In the memo, OIA recommended that program managers consider having project sponsors or business analysts provide project updates when the project manager is unavailable so

that the most current project status is being reported. OIA will be providing monthly reports to the IAS PMT and ETF Strategic Council going forward.

OIA plans to submit a quarterly status update of this ongoing oversight to the Committee as part of the FY24–FY25 Biennial Audit Plan Update. The Budget and Operations Committee, which has the oversight responsibility for ETF’s modernization projects, will receive the same update each quarter.

Third-Party Administrator (TPA) System and Organization Controls (SOC) 1 Report Annual Review for Calendar Year (CY) 2023 ([Ref. AUD | 09.19.24 | 3B](#))

Ms. Bauknecht provided an overview of the TPA SOC 1 report review for CY 2023, which is a component of ETF’s TPA oversight procedures. Ongoing consulting for TPA oversight, including the SOC 1 report review, was included in the FY 2024 - FY 2025 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 2023 SOC 1 report review completed in June 2024.

During the CY 2023 review, several control testing exceptions were noted and one TPA SOC report included a qualified opinion. However, these exceptions did not have a significant and adverse impact on ETF programs.

Group Health Insurance Program (GHIP) Performance Standards Design Review ([Ref. AUD | 09.19.24 | 3C](#))

Ms. Williams presented on the GHIP Performance Standards Design Review that was conducted as requested by OSHP management. The review’s objective was to determine whether the current performance standards for the GHIP health plans are the most appropriate for ETF to monitor and whether there are other performance standards ETF should consider for monitoring the GHIP health plans.

Overall, the review found that the GHIP performance standards were appropriate and comparable to the performance standards of other state and local health plans and other ETF programs. To further improve the health plan performance standards, the review included two recommendations for OSHP management’s consideration. The first was to select a few of the Healthcare Effectiveness Data and Information Set (HEDIS) and Consumer Assessment of Healthcare Providers and Systems (CAHPS) standards that can be reasonably measured in the GHIP performance standards that focus on the Triple Aim initiative. The second was to report the “Claims Process Accuracy–Procedure” and “Claims Processing Accuracy–Financial” separately rather than in a combined “Claims Processing Accuracy” measure. Separating the claims processing accuracy measure would provide greater clarity to the claims processing measure and

to be consistent with the other state health plan systems reviewed and other ETF program performance standards.

Ms. Williams also noted that in two other programs administered by ETF that a late fee was assessed if the performance standards reports were not submitted by the due date. The 2024 GHIP Agreement does not include a late fee. While timely submission of reports is not necessarily a performance measure and timely submission of these reports has not been an issue in the past, OSHP could consider adding a penalty for the late submission of performance standards reports to enhance compliance.

## **DISCUSSION AND CONSIDERATION**

### Global Internal Audit Standards 2024 and Its Implications ([Ref. AUD | 09.19.24 | 4A](#))

Ms. Sze presented on the Global Internal Audit Standards 2024 and its implications for OIA and its interactions with management and the Audit Committee. She shared that the Institute of Internal Auditors released the Global Internal Audit Standards (the Standards) in January 2024, which will become effective in January 2025. OIA has taken the steps to prepare for conformance with the new standards such as:

- Reviewed the new requirements in the Standards.
- Conducted a gap analysis to assess the extent of current conformance.
- Identified key actions needed to address the gaps.
- Developed a plan for implementation.

Ms. Sze stated that overall, the review and analysis indicate that OIA is in a good position to adopt the Standards in 2025.

Items that were identified to be completed prior to January 2025 to ensure compliance were:

- Develop an OIA Strategic Plan.
- Revise and approve both the Audit Committee Charter and the Internal Audit Charter to align with the Standards.
- Complete a review and discuss the “Essential Conditions” to further develop and strengthen the relationship among OIA, the Committee, and ETF senior management.

Ms. Sze walked the Committee through the components of the Standards and the Essential Conditions that are applicable to the Board. These Essential Conditions create requirements for how the OIA, the Audit Committee, and management interact to be in compliance with the Standards.

### OIA Strategic Plan ([Ref. AUD | 09.19.24 | 4A1](#))

Ms. Sze then presented the OIA Strategic Plan to the Committee. OIA developed a formal strategic plan using ETF's strategic plan framework — multi-year strategic goals with supporting objectives and actions driving progress of the objectives.

The strategic plan defines OIA's mission as to strengthen ETF's ability to deliver quality benefits and protect the integrity of the trust by providing the Board and management with independent, risk-based, and objective assurance, advice, insight, and foresight. This mission statement aligned with the Purpose of Internal Audit of the Standards and ETF's mission. OIA's vision is to be a high-performing internal audit team that provides trusted assurance and valued advice to the Board and management to support ETF's success in achieving its mission.

To accomplish OIA's mission and vision, OIA identified two long-term goals that support ETF's strategic goals. Each goal has two objectives and is supported by varying number of initiatives that may last 12 to 18 months. Performance indicators to measure the success of those initiatives were identified to drive outcome. A discussion of resources is included in the plan. OIA will report at least annually to the Committee and ETF senior management on the progress, performance indicators, and any updates to the plan.

Audit Committee Charter Review and Approval ([Ref. AUD | 09.19.24 | 4A2](#))

Ms. Sze provided a summary on the recommended changes to the Audit Committee Charter. The recommended changes were to bring the Audit Committee Charter in line with the new Global Internal Auditing Standards. Committee members did not have any questions or concerns with the recommended changes.

***MOTION: Ms. Lounsbury moved to approve the provided committee charter and submit it to the Employee Trust Funds Board (Board) for approval. Ms. Miller seconded the motion, which passed unanimously on the following roll call vote:***

***Ayes: Lounsbury, Miller.***

***Nays: None.***

***Absents: Mizialko.***

Office of Internal Audit (OIA) Charter Review and Approval ([Ref. AUD | 09.19.24 | 4A3](#))

Ms. Sze provided a summary on the recommended changes to the OIA Charter. There were several changes made to the charter in order to cover all of the requirements of the new Global Internal Auditing Standards and update terminology. There were no questions from Committee members.

***MOTION: Ms. Lounsbury moved to approve updates to the Internal Audit Charter. Ms. Miller seconded the motion, which passed unanimously on the following roll call vote:***

***Ayes: Lounsbury, Miller.***

***Nays: None.***

***Absents: Mizialko.***

Data Analytics Project Update ([Ref. AUD | 09.19.24 | 4B](#))

Ms. Williams provided an overview and update on the Data Analytics Project. The project, which is intended to build a continuous monitoring program, will allow OIA to identify issues in ETF processes more readily and lead to a more proactive approach to assurance services. It will also assist in identifying areas of ETF that could benefit from further review through an audit. OIA has completed the Discovery and Planning phases of the project and started the Development and Validation of data analytic tests. As OIA completes the data tests currently in the Development and Validation phases, staff will determine the best approach for reporting any results that need further attention from the business areas to implement the tests. OIA has developed a Communication Plan for the project to provide updates and overall project results to key stakeholders. OIA staff will provide updates to the Audit Committee on the project on a quarterly basis as needed, but at least annually, to provide updates on the project and provide high-level results of the data tests.

A special project was also created to investigate concerns OIA had when making inquiries on ETF's data agreements. Ms. Hoehne and Ms. Williams are currently working with management on OIA's suggestions for improvements to the process of managing and monitoring data agreements. OIA will update the Audit Committee when conclusions have been reached on this special project.

Ms. Williams and Ms. Hoehne are exploring various reporting tools for the Data Analytics Project. Trainings will be needed to fully utilize these tools to determine their usefulness for OIA. This training is expected to be completed in the fall/winter of 2024 as time permits.

FY24 – FY25 Biennial Audit Plan Update ([Ref. AUD | 09.19.24 | 4C](#))

Ms. Sze provided the status of audit engagements and reported on other OIA activities for the period from June 20, 2024, through August 26, 2024. She also provided an update on open audit issues.

**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.

## **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 8:55 a.m.

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

Signed: \_\_\_\_\_  
Amy Mizialko, Secretary  
Audit Committee