

DRAFT

MINUTES

December 9, 2024

Audit Committee

Employee Trust Funds Board
State of Wisconsin

Location:

This meeting was held via teleconference.
8:00 a.m. – 8:27 a.m.



COMMITTEE MEMBERS PRESENT:

Katy Lounsbury, Vice Chair

Amy Mizialko, Secretary

COMMITTEE MEMBERS ABSENT:

Angela Miller, Chair

PARTICIPATING EMPLOYEE TRUST FUNDS (ETF) STAFF:

Office of the Secretary:

John Voelker, Secretary

Kimberly Schnurr, Board Liaison

Office of Legal Services:

Diana Felsmann, incoming Deputy
Secretary

Office of Internal Audit (OIA):

Yikchau Sze, Director

Shellee Bauknecht, Auditor-Advanced

Michelle Hoehne, Auditor-Advanced

Kurt Petrie, Auditor-Advanced

Amanda Williams, Auditor-Advanced

OTHERS PRESENT:

ETF Staff:

Laura Brauer, Erin Casper, Patti Epstein, Kathryn Young

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

ANNOUNCEMENTS

Ms. Sze announced that Shellee Bauknecht had accepted a role working with ETF's Division of Trust Finance and would be transitioning out of her position in OIA, effective mid-January 2025.

CONSIDERATION OF OPEN MINUTES OF SEPTEMBER 19, 2024, COMMITTEE MEETING ([Ref. AUD | 12.09.24 | 2](#))

Board	Mtg Date	Item #
AUD	03.27.25	2

MOTION: Ms. Mizialko moved to approve the open session minutes of the September 19, 2024, meeting as submitted by the Board Liaison. Ms. Lounsbury seconded the motion, which passed unanimously on a voice vote.

OIA PROJECT REPORTS

Data Sharing Agreement

Ms. Hoehne presented several concerns related to the development and management of data sharing agreements at ETF identified through OIA's data analytics project. She reported that OIA discussed these concerns and recommendations with ETF management and with ETF's Strategic Council, whose membership included the secretary, deputy secretary, assistant deputy secretary, and division administrators.

Ms. Hoehne said that given the need to balance resources and efforts with other critical initiatives at ETF, such as the Insurance Administration System (IAS) go-live scheduled for July 1, 2025, ETF's Strategic Council would be coordinating efforts to address OIA's concerns. One of the first steps in this process is to compile a comprehensive list of data agreements at ETF, followed by an assessment of the risks associated with different types of data agreements. Once the data agreement inventory and risk assessment are completed, the Strategic Council will determine the next steps.

Third-Party Administrator (TPA) Contract Compliance Oversight ([Ref. AUD | 12.09.24 | 3B](#))

Ms. Bauknecht presented a summary of the TPA contract oversight completed for calendar year (CY) 2024. Completed contract compliance engagements insourced by OIA included the Wisconsin Deferred Compensation Program contract compliance audit for CY 2023.

Ms. Bauknecht then went over the results of the recently completed Navitus Pharmacy Benefit Program Administration Audit, which had been outsourced to PillarRx. Ms. Bauknecht highlighted some of the findings that were included in the Executive Summary and the full report. She shared that contract compliance engagements that were currently in progress included those for the Employee Reimbursement/Health Savings/Commuter Benefit Accounts Administration (CY 2022-2023) and Life Insurance Program Administration (CY 2022-2023).

Ms. Bauknecht added that OIA had also assisted program areas in matters relating to contracting for TPAs. These included reviewing audit-related items in drafted TPA Request for Proposals (RFPs) and audit-related language in ETF's Department Terms and Conditions. She concluded by saying that OIA would continue completing engagement and advisory activities in accordance with OIA's Biennial Audit Plan for FY2024–FY2025 and continue insourcing certain TPA contract compliance audits

based on risk and resources to accomplish one of the long-term goals of OIA's Strategic Plan FY2025–FY2026.

ETF Hotline Annual Summary Report ([Ref. AUD | 12.09.24 | 3C](#))

Ms. Sze provided an overview of ETF's Fraud, Ethics, and Compliance Hotline during her presentation to the Committee on the ETF Hotline Annual Summary Report. She said that between November 16, 2023, to November 19, 2024, ETF had received nine reports via the Ethical Advocate hotline for seven distinct incidents. Types of incidents reported included Wisconsin Retirement System employer reporting, rehired annuitant, information request, and privacy concerns. Ms. Sze said that decisions on the two employer reporting incidents would be finalized upon completion of the employer compliance audits. The remaining reports were closed without being substantiated as fraud cases.

DISCUSSION AND CONSIDERATION

Annual Independence Affirmations and Disclosures ([Ref. AUD | 12.09.24 | 4A](#))

Ms. Sze presented on the Annual Independence Affirmations and Disclosures. She 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. An external quality assessment was completed by the Virginia Retirement System and reported to the Audit Committee at the September 2023 committee meeting. Of the three recommendations made by the assessment, one has been closed, one is planned to be implemented in the next audit planning cycle, and the third required a statutory change to create an independent OIA. Ms. Sze also discussed various ongoing and annual quality assurance and improvement program activities OIA conducted to meet the requirements of the internal audit standards.

FY24 – FY25 Biennial Audit Plan Update ([Ref. AUD | 12.09.24 | 4B](#))

Ms. Sze provided the status of audit engagements and reported on other OIA activities for the period from August 27, 2024, through November 19, 2024. She also provided an update on OIA's on-going review of the IAS program and the quarterly Open Audit Issue Report.

FUTURE ITEMS FOR DISCUSSION

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

ADJOURNMENT

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

The Committee adjourned at 8:27 a.m.

Date Approved: _____

Signed: _____
Amy Mizialko, Secretary
Audit Committee