DRAFT

MINUTES

June 19, 2025

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. – 8:55 a.m.

COMMITTEE MEMBERS PRESENT:

Angela Miller, Chair*
Katy Lounsbury, Vice Chair*
Becky Easland

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
Kurt Petrie, Auditor-Advanced
Amanda Williams, Auditor-Advanced

OTHERS PRESENT:

ETF Staff:
Shellee Bauknecht*, Anne Boudreau, Travis Dillon, Sheila Gubin*, Gene Janke*, David Maradiaga*, Mark Robinson, Tim Steiner, Tod Wiederholt

Linea Security (Linea):
Paul LaClair*, Jake Long*

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

ANNOUNCEMENTS

Ms. Sze announced that Becky Easland had been appointed to the Committee by ETF Board Chair, Bill Ford.

* Attended virtually.

Board	Mtg Date	Item #
AUD	10.02.25	2A

CONSIDERATION OF OPEN MINUTES OF MARCH 27, 2025, COMMITTEE MEETING (Ref. AUD | 06.19.25 | 2)

> ***MOTION: Ms. Lounsbury moved to approve the open session minutes of the March 27, 2025, meeting as submitted by the Board Liaison. Ms. Easland seconded the motion, which passed unanimously on a voice vote.***

ELECTION OF OFFICERS (Ref. AUD | 06.19.25 | 3)

Ms. Miller announced the current officers of the Audit Committee were herself as chair and Katy Lounsbury as vice chair. The position of secretary was vacant.

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

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

OFFICE OF INTERNAL AUDIT PROJECT REPORTS

Contractor Selection and Oversight Process Audit (Ref. AUD | 06.19.25 | 4A)

Mr. Petrie reported the Contractor Selection and Oversight Process audit results. The scope of the audit was any contractor procurement or termination from January 1, 2023, to June 30, 2024. Additionally, the audit also reviewed policies and procedural documents, procuring, onboarding, and offboarding processes, and performed sample testing on the selected contractors.

Overall, staff identified the following positive results:
- The Contract Coordinator, who works with the hiring managers on the procurement process, was regarded highly for their services.
- The contractor servicing firms have a contract with ETF or the Department of Administration (DOA).
- All contractor positions had a completed justification form and were authorized by the Secretary's Office.

However, the audit identified five findings with recommendations for management consideration. Specifically, the audit recommends ETF management do the following:
- Update ETF's Professional Staffing Services contract language to match the DOA's Vendor Management Services (i.e., if a contractor is terminated for performance within 21 days after start of service, ETF does not have to reimburse the contracting firm for their contractor's services).
- Ensure contractor policies and procedures are being followed throughout the procurement process (i.e., the audit identified one contractor's references were never

checked, and they signed the Contracted Personnel Agreement three months after they started, even though they had access to restricted folders on their first day). Additionally, the Contractor Coordinator was not involved in the procurement process, and, instead, the hiring manager performed the activities.
- Have the contractor and supervisor complete the Supervisor Checklist for New Contractor Onboarding within their first 30 days and return it as required.
- Create and maintain a checklist for each contractor that leaves, to ensure they returned their assigned equipment and/or furniture, and their building access was removed.
- Clearly and consistently communicate to the Board the number of contractors and their assigned division and/or office at least annually.

ETF management agreed with the audit findings and had either implemented or was in the process of implementing the recommendations.

Annuity Calculation Periodic Review (Ref. AUD | 06.19.25 | 4B)

OIA performs periodic reviews on the annuity calculation to ensure the annuity payments were calculated correctly and distributed to the correct individuals in a timely manner. Ms. Williams reported that the annuities under this review were the benefits finalized during calendar year 2024. The review included a sample testing of the Disability Benefits and Special Death Benefits processed during the same period. The retirement benefits review used OIA’s data analytics software to review the entire population. The review validated over 90 percent of the retirement benefit population.

For the benefits reviewed, OIA was able to validate all but two annuity calculations. One exception was in the Disability Benefits calculations, the annuity had an error in the calculation of the pro rata option factors, which resulted in about $10 less in the monthly annuity payments. In the Special Death Benefits calculations, one annuity was entered into ETF’s payment system incorrectly by $6. ETF staff have corrected both exceptions.

Ms. Miller asked what steps staff are taking to address errors in manual calculations. Ms. Williams stated that staff have updated the spreadsheet used in the Disability Benefit calculations to identify errors noted in this review. Ms. Boudreau stated that the modernization of the systems will help with other manual errors to ensure the data from one system is transferred to another without manual entry.

DISCUSSION AND CONSIDERATION

Internal Audit Plan for FY 2026 (Ref. AUD | 06.19.25 | 5A)

Ms. Sze discussed the proposed audit plan for Fiscal Year 2026. The plan included engagements covering three audit focus areas, such as Resource and Change Management, Data Quality and Protection, and Transaction Processing. These will be performed by OIA, with two IT engagements will be outsourced to Linea Secure. Ms.

Sze provided an overview of the planning process, the risk themes identified through the planning process, and OIA's resources capability. Ms. Miller stated she appreciated the heat map included in the Internal Audit Plan.

> ***MOTION: Ms. Lounsbury moved to approve the draft internal audit plan for Fiscal Year 2026. Ms. Easland seconded the motion, which passed unanimously on the following roll call vote:***
>
> ***Ayes: Easland, Lounsbury, Miller.***
>
> ***Nays: None.***
>
> ***Absents: None.***

FY24-FY25 Biennial Audit Plan Update, including Open Issues Report and Insurance Administration System Oversight Monthly Reports (Ref. AUD | 06.19.25 | 5B)

Ms. Sze provided an overview of the FY24-FY25 Biennial Audit Plan Update, which included completed and in-progress audit engagements and the status of other OIA activities from February 25, 2025, through May 23, 2025.

Ms. Sze also provided an update on OIA's ongoing review of the Insurance Administration System (IAS) Program. She discussed OIA's recommendations which were included in the IAS Program review reports for March, April, and May. The IAS Program review reports had been provided to the IAS Program Management Team (PMT) and the ETF Strategic Council. The May 2025 memo includes OIA's observations of the IAS program reset. OIA encourages staff and management to include additional local employers in the new testing plan, as allowable, when planning for the phased implementation approach. The March 2025 and April 2025 include OIA's observations of the IAS project monitoring and operational readiness, as well as end-to-end testing. Several recommendations were provided to management for their consideration. The ETF Board's Budget and Operations Committee, which has the oversight responsibility for ETF's modernization projects, would also receive copies of the same IAS Program review reports each quarter.

Finally, Ms. Sze provided an update on open audit recommendations via the quarterly Open Audit Issue Report.

FUTURE ITEMS FOR DISCUSSION

Ms. Miller asked if Committee members had any topics they wanted to discuss at future Committee meetings, but none were posed.

MOVE TO CLOSED SESSION

Ms. Miller announced that the Committee is going into closed session to hear the results of the Onboarding and Offboarding Assessment performed by external consultants from Linea Secure.

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

Ayes: Easland, Lounsbury, Miller.

Nays: None.

The Committee convened in closed session at 8:37 a.m.

The Committee returned to open session at 8:52 a.m.

ANNOUNCEMENT OF BUSINESS DELIBERATED DURING CLOSED SESSION DISCUSSION

Ms. Miller announced that the Committee met in closed session to hear a presentation from Linea Secure regarding the Onboarding and Offboarding Assessment report and results. No action was taken.

ADJOURNMENT

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

The Committee adjourned at 8:55 a.m.

Date Approved: ____________________

Signed: ______________________
Becky Easland, Secretary
Audit Committee