STATE OF WISCONSIN

Department of Employee Trust Funds
Internal Audit

AUDIT REPORT

PHASE 3—VERIFYING NAMED SURVIVOR DATA USING SOCIAL SECURITY ADMINISTRATION'S EMPLOYEE VERIFICATION SERVICE

February 2005
2005-1A

STATE OF WISCONSIN
Department of Employee Trust Funds
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Eric Stanchfield, Secretary
Department of Employee Trust Funds

Dear Eric,

Subject: Phase 3—Verifying Named Survivor Data Using Social Security Administration's Employee Verification Service

This report is the result of a comparison of named survivor data on the Annuity File with Social Security Administration indicative data. We acknowledge the cooperation and assistance of staff in the Division of Retirement Services, Division of Insurance Services, and Division of Trust Finance and Employer Services and thank them for the time and effort they spent assisting us. The audit could not have been completed without their assistance.

Respectfully submitted by,

Robert J. Schaefer, CPA
Director of Internal Audit

Vicki A. Wickliffe
Auditor-in-Charge

PHASE 3—VERIFYING NAMED SURVIVOR DATA USING SOCIAL SECURITY ADMINISTRATION'S EMPLOYEE VERIFICATION SERVICE

I. INTRODUCTION — This is the third report discussing use of the Social Security Administration's (SSA) free service, the Employee Verification Service (EVS), to identify missing or incorrect data for named survivors on the Annuity File. In two prior audits we identified and analyzed data for named survivors with the greatest risk. In this audit we reviewed data for the remaining named survivors. Correct data will contribute toward timely identification of deaths and ensure that records are accurate before implementing a new Benefit Payment System.

II. OBJECTIVE — The objective of this audit was to identify missing or inaccurate data for the remaining 436 named survivors.

III. RESULTS —We identified or verified:

- 66 Social Security numbers (SSNs) that were either missing from our records or did not match SSA records.
- 57 dates of birth that were missing from our records.
- 316 records for which named survivor data is not applicable because of option, divorce, or administrative error.
- 2 beneficiary designations that had been accepted in error.

Five missing SSNs involved an option that requires the annuity to be reduced 25% upon the death of either annuitant or named survivor. Because of missing SSNs, these named survivor deaths would not be identified when matching the annuity file with monthly death reports from SSA and the Wisconsin Department of Health and Family Services. If death is not identified timely, annuity overpayments could occur.

IV. OPINION — *In our opinion the final phase of EVS for named survivors was beneficial because it resulted in identifying missing or incorrect data and cleaning up named survivor records.*

V. AUDIT OBSERVATIONS AND PLANS OF ACTION

Observation #1*: Deaths of named survivors could go undetected if SSNs are missing/incorrect on the annuity file, resulting in annuity overpayments.* **Plan of Action**: In 2002 the Benefit Services Bureau Director submitted project requests to: 1) match new annuity records with SSA indicative data monthly, 2) add survivor's name, SSN, and date of birth to Notice of Final Retirement Annuity Calculation, and 3) edit for identical SSN or date of birth for annuitant and survivor on retirement estimates\applications. A goal is to implement monthly EVS matches in 2005.

Observation #2*: Formal written procedures for processing annuitant beneficiary designations reduce the risk of accepting beneficiary designations in error, reduce the potential for appeals and lawsuits, and promote good customer service. Providing good customer service to annuitants who file beneficiary designations will help ensure that annuitants understand what benefits, if any, are payable upon their deaths.* **Plan of Action**: Division of Trust Finance and Employer Services staff will finalize draft procedures and forward them to the procedures coordinator for assignment of a number and inclusion in the procedures inventory.

SECRETARY'S OFFICE COMMENTS — The Office of the Secretary has reviewed the audit observations and Plans of Action with the appropriate Division Administrators and will continue to monitor progress on Plans of Action provided by the Division of Retirement Services and the Division of Trust Finance and Employer Services in response to the audit observations. The audit observations and action plans will also be transferred to the tracking system that has been developed for Division and Internal Audit use.