



STATE OF WISCONSIN

Department of Employee Trust Funds
Internal Audit

EXECUTIVE & BOARD AUDIT REPORT

MEMBER ACCOUNT ANALYSIS 2001-2002
Validation of Service and Money Purchase Data

August 2006
2006-1A

TABLE OF CONTENTS

TRANSMITTAL LETTER1

EXECUTIVE SUMMARY2

LEGEND:

1999 Wisconsin Act 11	Act 11
Benefit Payment System	BPS
Department of Employee Trust Funds	ETF
Division of Information Technology	DoIT
Division of Insurance Services	DIS
Division of Retirement Services	DRS
Division of Trust Finance and Employer Services	DTFES
Participant Account Ledger System	PAL
Qualified Domestic Relations Order	QDRO
Statement of Benefits	SOB
Wisconsin Employee Benefit System	WEBS
Wisconsin Retirement System	WRS



STATE OF WISCONSIN

Department of Employee Trust Funds

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August 2006

Eric Stanchfield, Secretary
Department of Employee Trust Funds

Subject: Audit of Member Account Analysis 2001-2002
Validation of Service and Money Purchase Data

To address the need for an independent integrity review of critical databases, within the Department of Employee Trust Funds (ETF) Internal Audit has completed a review of 2001-2002 Statement of Benefits (SOB) data for all accounts.

Attached is a one-page Executive Summary and Board Report which introduces and describes the audit, and summarizes the affect the audit will have, the risks to ETF found in the audit, and plans of action to be taken as a result of the audit. We have also written a comprehensive audit report to assure ETF management and staff has sufficient details to implement plans of action for applicable risks and exposures.

We acknowledge the assistance and cooperation of ETF staff during this audit. We greatly appreciate the time and effort given us.

Respectfully submitted,

Jon Kranz
Director, Office of Internal Audit and Budget

Helen Malzacher
IT Auditor

EXECUTIVE SUMMARY and BOARD REPORT
Member Account Analysis Audit 2001-2002 (Audit 2006-01A)

I – AUDIT DESCRIPTION and OBJECTIVES: This audit reviewed Statement of Benefit (SOB) service and monetary changes for 1.2 million Wisconsin Employee Benefit System (WEBS) accounts. The audit objectives were to give assurance that annual data changes were authorized and accurate and that computer programs were functioning as intended. Reusing the automated audit methods developed in 2004, all member accounts in 2001 and 2002 were recalculated and a sample of 400 accounts was selected. Sampled accounts were analyzed and differences resolved when predetermined values (*outliers*) were exceeded.

II – AUDIT IMPACT and RISKS TO EMPLOYEE TRUST FUNDS: WEBS account values are affected by year-to-year technology, administrative, and legislative changes. This audit period includes 1999 Wisconsin Act 11 computations for reopening the Variable Trust Fund to new enrollments as of January 01, 2001. Common practice is to give staff access authority only to programs and account data needed for their duties. However, due to processing complexity and a shortage of experienced staff, there are circumstances when some staff has greater access authority, thus increasing risk to member account data. To address this risk ETF has compensating controls to limit staff and programmer access to data and programs. Still, the possibility of undetected or unauthorized access to account data continues to exist.

III – OPINION, TEST RESULTS, and PLANS of ACTION: **In our opinion, sampled data appears to be accurate and is the result of authorized transaction processing. This is commendable, especially in light of heavy department workloads that included managing multiple projects, processing a significant volume of data, and updating a massive number of member records. It is also our opinion that this independent data analysis provides valuable assurance for the integrity of annual SOB account changes and access security technology.**

OBSERVATIONS - MONETARY	<ul style="list-style-type: none"> • When re-establishing one account the benefit <i>estimate</i> was understated by \$110,485. During <i>final calculation</i> (14 months later) the omission was discovered and corrected by another division. • Though standard practices are followed, updating procedure IB920.4 – Division of Annuities for QDRO’s would improve department knowledge and document processes for future phases of the Benefit Payment System. • Forfeited service transactions, though promptly processed, may not be promptly audited and sent for imaging.
PLANS of ACTION	<ul style="list-style-type: none"> √ Together, DTFES and DRS will review the re-establish process. Improvements, procedures, and training will occur as needed. √ All types of <u>annuitant</u> QDRO’s will be processed as discussed in the division of benefits sections of §40.08 (1m)(f) 2. √ DTFES will review tracking, auditing, and imaging for all forfeited service purchases. Measures are being taken to address the post-processing audit backlog (2,000 accounts) in view of limited resources and higher priorities.
OBSERVATIONS - SERVICE	<ul style="list-style-type: none"> • Updating creditable service documentation to include various fiscal and calendar year calculations could improve data accuracy, data consistency, and staff knowledge. Also, three accounts will be reviewed to determine if service adjustments are needed.
PLANS of ACTION	<ul style="list-style-type: none"> √ DTFES and DRS will develop a department policy covering simultaneous service. √ DTFES and DRS will work together to prepare creditable service procedures.
PROCESS IMPROVEMENTS – SYSTEMS EFFICIENCY	<ul style="list-style-type: none"> • WEBS will remain the only application that allows entry of ten-digit Social Security numbers. Accounts with a “D” in the first position, followed by the nine-digit Social Security number are accounts to be deleted during annual processing. • For members with both participant and QDRO accounts, the Participant Account Ledger System did not permit “linking” from the participant to the QDRO screen. • Two sampled accounts did not permit “linking” between various computer screens.
PLANS of ACTION	<ul style="list-style-type: none"> √ Technical improvements were evaluated and approved by divisions. Only WEBS will allow ten-digit Social Security numbers. Linking between participant and QDRO screens was corrected. Linking between two accounts was corrected, other accounts were Tested, and the enhancement will be implemented with the new Benefit Payment System.

IV - SECRETARY'S OFFICE COMMENTS: We are pleased to receive the positive findings in the Member Account Analysis. The findings confirm the high level of reliability expected in maintaining member accounts. These automated audit tests are a valuable assurance to management and should be completed regularly.