

STATE OF WISCONSIN
Department of Employee Trust Funds
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SECRETARY

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CORRESPONDENCE MEMORANDUM

DATE: August 23, 2011
TO: Audit Committee
FROM: John Vincent, Director
Office of Internal Audit
SUBJECT: Summary of Internal Controls Review Audit

This report is for Audit Committee review and discussion. No action is required.

Background

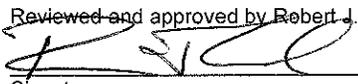
Annually, the Employee Trust Funds (ETF) Secretary certifies to the Wisconsin State Controller on the existence and adequacy of the Department's internal controls. The objective of this audit was to assess and evaluate identified risks and ensure that stated controls are in place, effective, and would mitigate known risks and deficiencies within ETF's operations.

The examination was conducted in accordance with guidelines set forth in the Institute of Internal Auditors' *International Standards for the Professional Practice of Internal Auditing*.

Summary of Audit Findings, Recommendations and Management Responses

1. The Office of Internal Audit (OIA) found no significant control deficiencies ascribing to ETF's 2009 limited scope Internal Control Review. However, due to the implementation of new utility systems such as the Benefit Payments System (BPS) and the Lump Sum Payments System (LSPS), certain controls are now automated and programmed into the system. Hence, certain manual reviews are no longer performed. As such, the ETF control matrix should be reviewed and updated to reflect such operational changes.

The Division of Retirement Services (DRS) is pleased that the Office of Internal Audit found no significant control deficiencies in this review. This is a testament to the Department's strong Internal Control Plan. The Division agrees with the auditor's

Reviewed and approved by Robert J. Conlin, Deputy Secretary.

Signature _____ Date 8/30/2011

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recommendation that DRS reviews "(the) internal control matrix in order to update independent checks associated with functions no longer manually performed."

2. Not all of the Division of Insurance Services' (DIS) internal controls plans were represented on the Department's overall 2009 internal controls plan. Therefore, the OIA is unable to attest to the adequacy of the Division's internal controls. The Division should complete the steps necessary to ensure that all control plan information is provided to the Office of Budget and Trust Finance during the preparation of ETF's annual Internal Controls Plan, which is submitted to the State Controller's Office.

DIS agrees with this OIA recommendation and supports that ETF's Internal Control Plan should present all of the inherent risks and controls of the Department. Therefore, DIS will review its risks and controls and work with the Office of Budget and Trust Finance to ensure they are reported in the Department's Internal Control Plan that will be submitted in 2012.

Secretary's Office Comments

We are pleased that no significant control deficiencies were found. It is essential that ETF is able to certify to the Wisconsin State Controller on the existence and adequacy of the Department's internal controls. We also recognize that it is critical that the full range of ETF's risks and controls are reported in the annual Internal Control Plan. Therefore, the Department will take the steps necessary to ensure that all risks and controls are included in the report.

I will be at the Committee meeting to discuss the report and answer any questions.