



STATE OF WISCONSIN
Department of Employee Trust Funds
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SECRETARY

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CORRESPONDENCE MEMORANDUM

DATE: June 4, 2012
TO: Audit Committee Members
FROM: John Vincent, Director
Office of Internal Audit
SUBJECT: 2011-2013 Audit Plan Status

This memo is for informational purposes only. No action is required

Below is a status summary of the projects, activities, and advisory services completed or initiated during the first year of the 2011-2013 Audit Plan.

2011-2013 AUDIT PLAN

1. Audit Projects – Completed

- a. Proprietary Software Audit: Report was presented at the December 2011 Audit Committee meeting.
- b. Retirement, Death, Disability, Service Purchase Estimates Audit: Report was presented at the December 2011 Audit Committee meeting.
- c. Dependent Eligibility Audit: Final report to Group Insurance Board provided to Audit Committee, dated March 20, 2012
- d. Benefit Payment System Reconciliation Audit: Executive Summary included in the June Audit Committee materials.
- e. Annual Annuity Adjustment Audit: Executive Summary included in the June Audit Committee materials.

2. Audit Projects – In Process

- a. BPS File Maintenance: Draft objective and scope statements and information have been prepared for entrance conference, to be scheduled with the Division of Retirement Services, Division of Insurance Services, Division of Management Services, and Office of Budget and Trust Finance.

Reviewed and approved by Robert J. Conlin, Secretary


Signature

6/8/12
Date

Board	Mtg Date	Item #
AUD	6.21.12	3

- b. Open Action Plans: The Office of Internal Audit continues to monitor and follow up on the status of action plans that were developed to address audit findings and recommendations. There are 40 open action plans, with 35 resulting from audits completed during 2009 through 2011. Attachment A provides further information by division/office.

3. Audit Projects – On Hold

- a. Life Rate Changes to Member Accounts
- b. Lump Sum Payment System

The above projects have been placed on hold while Claudius Lebi and I are directly involved with the Department of Employee Trust Funds (ETF) annual reconciliation process.

Annual reconciliation is the process used by employers to provide ETF with calendar year hours and earnings for their Wisconsin Retirement System (WRS) participating employees who are actively employed at the end of the year. During this process, ETF staff work with the employers to ensure monthly and annual information is in balance. Reconciliation assures that contributions have been paid for the calendar year for all WRS-covered employees.

Reconciliation must be completed before final account adjustments are made, annual *Statement of Benefits* are issued, ETF's financial statement is prepared, and the audit of ETF's financial statement is completed by the Legislative Audit Bureau.

4. Audit Projects – Start Dates To Be Determined

- a. myETF Benefits
- b. Actuarial File Testing (Active Lives)
- c. Actuarial File Testing (Retired Lives)
- d. Continuity of Operations Program
- e. Internal Control Plan Review
- f. 1099-R Data Review
- g. Review of SSAE 16 Reports

5. Audit Project – Cancelled

Accumulated Sick Leave Conversion Credit Data Maintenance and Processing Accuracy Audit: This audit has been cancelled as a result of ETF's initiative to replace the current sick leave system by the end of 2012. The Office of Internal Audit will provide advisory services to the development team.

6. Advisory Services/Special Requests

- a. Data Governance Operations Project Pilot Team: Helen Malzacher represented Internal Audit on this team, which concluded its work in January 2012. The data governance pilot project was to use data governance processes to analyze how important data assets are formally managed throughout ETF. Specifically, the project looked at various issues surrounding ETF's collection, storage, and use of addresses of active employees to prepare the annual *Statement of Benefits* (SOB) mailing.
- b. ETF Security Council: I have been participating in regular Council meetings, providing advice about data governance security policies (e.g., data classification, logging, auditing, and computer security incident response).
- c. Reconciliation of Vendor Invoices to Account Deductions: This project was requested by the Office of Budget and Trust Finance (OBTF). Specifically, each month there are variances between the invoices approved for payment by OBTF to the health insurance providers and the total deductions from annuitant sick leave accounts and/or monthly annuity. The objective of the project is to assist the Division of Retirement Services and Division of Management Services in determining the cause of the variance and the measures that can be taken to eliminate as much of the variance as possible and be able to account for the variance from the reconciliation.
- d. Annual Annuity Adjustment Technical Documentation: Ms. Malzacher is providing advisory services to the Division of Retirement Services by providing feedback on draft technical process documentation.
- e. Affirmative Action Committee: Mr. Lebi was appointed to this Committee.
- f. Record Disposal Authority (RDA) Review: Ms. Malzacher is providing advisory services to the Division of Management Services and Office of Budget and Trust Finance on the development of RDA 158 – Retired Lives Databases. The database is developed and provided to the Retirement Board consulting actuary in support of the annual valuation completed by the actuary.

7. Training/Association Meetings

- a. Webinars:
 - i. Institute of Internal Auditors (IIA) – Managing 3rd Party Risks (Mr. Lebi)
 - ii. The 7 Deadly Sins of Report Writing (Mr. Lebi)
 - iii. Anti-Corruption: What Every Internal Auditor Needs To Know (Mr. Lebi)
 - iv. American Institute of Certified Public Accountants - Committee of Sponsoring Organizations of the Treadway Commission (COSO) - COSO's Proposed Revision to the Internal Control – Integrated Framework (myself, Mr. Lebi)
 - v. IIA – Auditor Roles in Public Sector Performance Auditing & Measurement (Mr. Lebi)
 - vi. Society of Information Systems Auditors of Wisconsin meeting (Ms. Malzacher)

- vii. Monthly Roundtable Conference Call - Madison IIA (myself)
- viii. Planning & Conducting a Fraud Risk Assessment (myself)

I will be available at the Audit Committee meeting to answer any questions you may have.

Attachment: Summary of Open Audit Action Plans

Summary of Open Audit Action Plans
June 1, 2012

	DIS	DMS	DRS	OBTF	OIA	OPPC	Totals
2004			1				1
2005		4					4
2006							
2009		9				1	10
2010	10	1		1	1		13
2011	4		1	7			12
Totals	14	14	2	8	1	1	40

DIS – Division of Insurance Services:

- 2010 - Compliance Audit - Group Health Insurance (2008 & 2009)
- 2011 - Compliance Audit - ERA/Commuter Benefit Programs (2006 thru 2008)

DMS – Division of Management Services:

- 2005 – Custom File Maintenance Audit
- 2009 – Retirement Calculation System Audit
- 2010 – Retired Lives Actuarial Data Verification Audit

DRS – Division of Retirement Services

- 2004 – Match of Social Security Administration and WEBS Death Records Audit
- 2011 – Retirement, Death, Disability, and Service Purchase Estimates Audit

OBTF – Office of Budget and Trust Finance

- 2010 – 2010 Financial Audit
- 2011 – 5-Year Actuarial Audit

OIA – Office of Internal Audit

- 2010 - Follow-Up Audit of Prior Observations

OPPC – Office of Policy, Privacy and Compliance

- 2009 - Retirement Calculation Audit - Staff Access to Electronic Data