



STATE OF WISCONSIN
Department of Employee Trust Funds
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CORRESPONDENCE MEMORANDUM

DATE: June 4, 2012
TO: Audit Committee Members
FROM: John Vincent, Director
Office of Internal Audit
SUBJECT: Benefit Payment System Reconciliation Audit (2011-05)

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


Attached is the Executive Summary of the Benefit Payment System Reconciliation Audit, which was completed and submitted to the Secretary of the Department of Employee Trust Funds. The Executive Summary provides the audit objective, background, scope, and conclusions. There are no recommendations in the Executive Summary.

Secretary's Office Comments

Anytime a mission critical benefit system is replaced, there are inherent risks that the accuracy and timeliness of the benefits may be affected. Therefore, we are very pleased with the results of this audit, which provides assurance that effective processes and controls are in place during the monthly pension payment cycle.

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

Attachment: Executive Summary of the Benefit Payment System Reconciliation Audit

Reviewed and approved by Robert J. Conlin, Secretary

Signature _____ Date 6/8/12

Board	Mtg Date	Item #
AUD	6.21.12	4A



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CORRESPONDENCE MEMORANDUM

May 25, 2012

Bob Conlin, Secretary
Department of Employee Trust Funds

Benefit Payment System (BPS) Reconciliation Audit (2011-05)

The Office of Internal Audit submits the Executive Summary of the final report of the BPS Reconciliation Audit.

The audit was conducted in accordance with the Office's 2011-2013 Audit Plan. The audit was to review the monthly BPS processes and controls to determine if they were complete, accurate, and timely. The attached Executive Summary provides the background, audit objectives and scope, and conclusions. There are no recommendations in the report.

The audit confirmed reconciliation accuracy through analysis of transactions, financial accounts, report records, BPS to the WiSMART account system to control totals, and member details. Monthly, scheduled BPS tasks are completed, data is processed, and results are produced and reconciled. Also, staff and management involved with the BPS processing were asked to complete a risk assessment questionnaire broadly covering 20 control areas. No reconciliation exposures were identified by the questionnaire.

We concluded that the pension payments made from the Benefit Payment System were complete, accurate, and timely.

We acknowledge the assistance and cooperation of ETF Administrators, Directors, and staff during this audit. Also, we acknowledge NVisia contract staff assistance. We greatly appreciate the time and effort we received during the audit.

Respectfully submitted,

John Vincent
Director, Office of Internal Audit

Cc: Rob Marchant, Deputy Secretary



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**Benefit Payment System (BPS) Reconciliation Audit
(2011-05)
Executive Summary
May 2012**

Audit Objective

The objective of this audit was to review the monthly Benefit Payment System (BPS) reconciliation processes and controls. Specifically, the audit was to determine if monthly reconciliation of pension payments, in excess of \$270 million, is complete, accurate, and timely.

Regarding the monthly reconciliation, the audit specifically focused on the processing tasks and controls that are completed during each month, including the timeliness of tasks and the reconciliation of transactions and deductions from annuities.

Background

In October 2008, the Benefit Payments System (BPS) replaced the Annuity System, created three decades earlier. The BPS is the utility the Department of Employee Trust Funds uses to administer all Wisconsin state and local annuity payments.

The Division of Retirement Services - Retiree Services Section is responsible for the Department's monthly benefit payment reconciliation that could have over 230 processing tasks¹. However, their monthly duties are limited to verifying that data is input, tasks are completed, and reports are produced. Attachment A provides some of the tasks.

To control the extensive BPS process other Department staff,² contracted third parties and consultants independently and effectively manage and complete assigned processes. It is this group that takes action to identify and resolve issues that could result in misstatements of financial accounting and report records.

¹ For example, annual preparation of disability adjustments (February) annuity adjustments (May), or 1099Rs (December).

² Internally involved are the Divisions of Retirement Services, Insurance Services, and Management Services, along with the Office of Budget and Trust Finance.

Externally involved third parties include: health, life, vision insurers, Milwaukee teachers, etc. Consulting services come from Nvisia.

Therefore, from a process standpoint, BPS reconciliation is not a “checkbook” approach where the ending balance from the prior month is compared to the beginning balance in the current month. Instead, those assigned perform detailed analysis of numerous reconciling items and review ledger balances during each month to ensure that financial accounting and report records are accurate, complete, and timely, and ensure that funds that are properly allocated.

It should be noted that the BPS programs use a “referential integrity database concept” to ensure that relationships between data tables remain consistent.

Audit Scope

The scope of the audit examined February and April 2011 monthly payroll periods to determine if existing processes and controls:

1. Detect out of balance, system integrity, and system interface conditions accurately and completely.
2. Prevent errors from going forward.
3. Require improvements that could add value.

Conclusions

The audit confirmed reconciliation accuracy through analysis of transactions, financial accounts, report records, BPS to WiSMART to control totals, and member details. Monthly, scheduled BPS tasks are completed, data is processed, and results are produced and reconciled.

Taken as a whole, the monthly plan of tasks to be completed is an excellent example of internal control standard for transaction processing, data integrity, compliance, monitoring, and communication.

Finally, staff and management involved with the BPS processing were asked to complete a risk assessment questionnaire broadly covering 20 control areas. No reconciliation exposures were identified by the questionnaire.

We concluded that the pension payments made from the Benefit Payment System were complete, accurate, and timely.

Attachment A – Monthly BPS Calendar (2/2011 Payroll-3/2011 Checks)

DATE	ID#	TASK	RES	HOW TO	CHECK OUT	COMPLETED
	1	Process special checks, if necessary	DRS / DIS / Controller's Michelle Ryndycz			
	2	Everyone off the system (BPS)		11:15 AM		
	3	BPS in "Read Only" mode	Control-M RYAN PERKINS	11:30 AM Run job TRBREAD		
	4	Run daily daytime batch jobs (Special Checks & WisMart files to DOA) & put BPS in "Update" mode when done	Control-M RYAN PERKINS	After 11:30 AM, run the following jobs based on the schedule: <ol style="list-style-type: none"> 1. TR162P06 – Create Special Payments 2. TR162P09 – Finalize Special Payments 3. TR162WCU – WisMart Customer File Extract 4. TR162WRE – WisMart Receivables Extract 5. TR162WMW – WisMart Manual Warrant Extract 6. TR162WP1 – WisMart P1 Extract 7. TR162WCR – WisMart Cash Receipts Extract 8. TR162P01 – ACH Returns 9. TR162E72 - BPS Extract Data to TBL_TEMP_VOUCHR for 69b Report 10. TRBUPDT – BPS in "Update" mode / notify staff 	Successful job completion codes / successful SQL codes	
	8	PRODUCE & REVIEW CRYSTAL REPORT #102b	ADB / DIS	PRODUCE ANNUAL REPORT – 1st WORKDAY IN FEB		
	10	Checkout Income Review Addresses-Without Deaths (#102b) results	DIS Deb ROEMER, Matt NELSON	ANNUAL REPORT		2/7/11 MDN

STOP NCOA input files created?	29	NCOA ACH & paper checks address updates Note: job TR162P22 has been modified to include before and after steps, as needed, to address the following: 1) Determine/Set MAX id values for DEMO_CHG_ID, DEMO_CHG_OBJ_ID, DEMO_CHG_DTL_ID 2) Set 'batchIsRunning' on TBL_BPS_SYS_PROP 3) Update TBL_KEY_VAL	ADB, Control-M Debra HAZELTINE, Russ ST. CLAIR	<i>Schedule jobs below to run Friday 1/14, after TR161BP1 and as sequenced</i> 1. TR162E22 – BPS CHK Compare Annuitant Address with NCOA 2. TR162P22 – BPS ACH Update Annuitant Addresses from NCOA		02/11/11 RSC
	42	Checkout BPS Big Recon (NTR40) results from Tuesday night's Retcalcs download and preliminary payroll runs	DRS Trisa MONETTE		NO RECON ERRORS	02/16/11 TM
	43	Adjustments after Retcalcs Download, adjustments for other account changes, changes for negative nets & errors (Neg Nets #2)	DRS Payments			JA/GG 02/16/11
	44	Checkout results of changes made today for: 1. Negative nets 2. Health Insurance coverage and premiums for new annuitants (accounts from Retcalcs) 3. Accounts that had a pending audit	DRS / nVISIA Payments Nadine LACY Carolyn GIECK Eric ZUNKE Naveen VK			JA/GG 2/16/11 NL 2/16/11
	47	Determine whether there were unresolved BPS reconciliation errors on the most recent BPS Big Reconciliation report	ADB Debra HAZELTINE, Russ ST. CLAIR	Check with Trisa & note any unresolved errors	NO RECON ERRORS. 2/16/11 TM	02/16/2011 DLH
STOP	62	Notify DOA Print Center that the annuity mailer print files are being released & release them to	ADB	<i>Monday, end of day</i>		RSC

Sample mailers ok?		<p align="center">DOA's print stream</p> <p>This month's counts (IT): Regular mailers: 87,530 Duty Disability mailers: 524</p> <p>This month's counts (Payments): Regular mailers: 5435 Duty Disability mailers: 11</p>	<p>Debra HAZELTINE Russ ST. CLAIR</p>	<ol style="list-style-type: none"> 1. Run 'ETFWEBS.DOIT.OGLLIB(JCL7204A)' for the Annuity Mailer print. 2. Run 'ETFWEBS.DOIT.OGLLIB(JCL7204B)' for the Duty Disability Benefit Mailer print. 3. Contact Bruce Goodman (266-5040) or Doug Bohn (266-2830) by phone or email to notify them that the print files are ready to be released. If the two of them cannot be contacted, the customer service numbers for the print center at DOA are 266-7990 and 261-8142. 4. Release the files 		2/18
	126	Accounts on Estimate Which Have Variable Opt-Out (#31)	<p>DRS Nadine LACY Rick HIGGINS</p>			2/24/11 NL
	127	Tickler Reports-Disability (#27b)	<p>DIS Matt NELSON, Gina FISCHER</p>			3/2/11 EEH
	128	BPS Finalized Annuities for the Month and Year for Retirement, 40.63 Disability, 40.63(4) Disability, Rollover (WEBS Closure): Active & Pends (#32a)	<p>TFES / DRS Andrew LACY Nadine LACY</p>			2/24/11 NL
	130	Guaranteed Beneficiary and Annuity Certain Accounts To Check End Month for Partial Payment Report (#113)	<p>DRS Nadine LACY Rick HIGGINS</p>			2/24/11 NL
	140	Monthly Voucher Report - Parameters Run for Combined - ACH, Paper Checks (#69a)	<p>Controller's Michelle Ryndycz</p>	Used to match to the WiSMART documents created by BPS.		
	143	62.13 Billing Report-Detail/Summary Report by Employer (#8a/b)	<p>Controller's Nancy Kittleson</p>	Used to bill employers		