



STATE OF WISCONSIN
Department of Employee Trust Funds
Robert J. Conlin
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CORRESPONDENCE MEMORANDUM

DATE: December 3, 2012

TO: Bob Conlin, ETF Secretary
Robert Marchant, ETF Deputy Secretary
Audit Committee Members

FROM: John Vincent, Director
Office of Internal Audit

SUBJECT: IT System Issues Associated with the Annual Statement of Benefits

This is a follow up on the information that was shared with the Audit Committee on September 20, 2012. At that time, I reported on a recent development, resulting from Act 10, involving computer systems that closed out the active and inactive accounts in the retirement system for 2011. Further, that Internal Audit would be monitoring the internal discussions and steps that have been or will be taken to mitigate the matter, with a report to be submitted to the Committee upon conclusion of the review.

IT System Issue

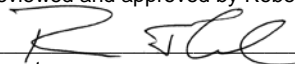
During the initial attempt to perform the annual Post and Roll process over the weekend of September 8, 2012, the agency encountered significant system disruption. This resulted in some member and employer data becoming corrupted and forced certain systems shut down to allow for a system restoration. The data was restored, reconciled, and confirmed accurate by the System Restore process completed over the weekend of September 15, 2012. The restoration was completed by the Office of Trust Finance, the Division of Retirement Services, and the Bureau of Information Technology.

Internal Audit Review

Due to the critical nature and associated risks of the system disruption, ETF's Secretary's Office tasked the Office of Internal Audit (OIA) to verify the accuracy of the data used for the Post and Roll process. In doing so, the OIA initiated a two-phased review of the lessons learned and system recovery effort with the following objectives.

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AUD	12.06.12	5

Reviewed and approved by Robert J. Conlin, Secretary


Signature _____ Date 12/5/12

1. To monitor the lessons learned discussions and assess the final report of the lessons learned and proposed action plans to determine whether further measures are warranted.
2. To determine the degree of certainty that system recovery efforts and the final Post and Roll processing were accurate, as well as the information for the Statement of Benefits (SOB). The scope of the review included the (1) initial processing, (2) system restoration, and (3) final processing and product.

Background

Once a year, ETF performs an annual reconciliation. This occurs after an employee's account has been updated with the Wisconsin Retirement System (WRS) annual earnings and service for the current year.

Each participant's account is reconciled to ensure that all contributions have been paid and that the appropriate amounts of hours and earnings have been credited.

Following the reconciliation process, and before the Statement of Benefits (SOB) are generated, the annual "Post and Roll" process is completed. The "Post" refers to a normal accounting activity, e.g., posting to a ledger, while "Roll" is a reference to rolling the employer data forward in preparation for the next year's processing.

It was at this point the agency encountered significant system disruption, with some member and employer data becoming corrupted. The result was certain systems were shut down to allow for a system restoration. As noted earlier, the data was restored, reconciled, and confirmed accurate by the System Restore process completed over the weekend of September 15, 2012.

In order to better understand the root causes of the problems that were experienced, the Department assigned two teams to conduct lessons learned sessions; the Post and Roll Implementation Team and the System Recovery Team. The attached report, *Post and Roll & ETF System Recovery Lessons Learned*, presents a summary from the discussions, the proposed action plans, and the lessons that were learned. (Note: Table 2.1. Short-Term has been updated to reflect the status of the proposed action plans, as of December 3, 2012.)

Affect of Wisconsin Act 10

The passage of 2011 Wisconsin Act 10 contributed to the complexity of the annual reconciliation process when it changed the allocation of WRS contributions in the middle of 2011. The Department's aging information technology systems and processes are set-up to recognize changes to the allocation of WRS contributions on a calendar year basis, becoming effective each January 1st. Therefore, the Act 10 changes had a substantial effect on ETF and WRS employers who report the allocation of WRS contributions to ETF.

Since the passage of Act 10, ETF has committed a significant portion of its information technology and business staff to modifying its pension administration computer systems to accurately reflect each of the many aspects of the law change. The changes to these systems have been extensive and highly complex. As a result, the annual reconciliation and generation of the SOBs, which typically are completed in April, could not be completed until much later in 2012.

Internal Audit's Review Process

1. Lessons Learned Review –

OIA staff attended the lessons learned sessions of the Post and Roll Implementation Team and the System Recovery Team, reviewed the *Post and Roll & ETF System Recovery Lessons Learned* report, and interviewed staff that participated in the team meetings. OIA submitted to the ETF Secretary's Office the attached report, dated November 1, 2012, with remarks and three recommendations. Also attached is the response from the Secretary's Office, dated November 27, 2012.

2. Accuracy of System Recovery –

OIA obtained a post-system recovery employer data file from the Division of Retirement Services (DRS) IS Business Automation Section in order to provide an unbiased opinion and source reference against data provided by the Office of Trust Finance. OIA's review verified that the total employer earnings for all state and local employers were the same for all employment categories for the 2011 calendar year.

OIA reviewed DRS' WEBS (Wisconsin Employee Benefits System) Reconciliation reports used for the Post and Roll process pre- and post systems disruption for records and transactions count to confirm that there were no records or transactions unaccounted for after systems restoration. All records and transactions were accounted for after systems restoration.

OIA confirmed the Office of Trust Finance's Post and Roll data against the WEBS Reconcile Summary by Account Code report on transactions listed below:

- Local employee required employer paid contribution for all employment categories - fixed
- Local employee required contributions for all employment categories - fixed
- Local employee benefit adjustment contribution – general category - fixed
- State employer payment of benefit adjustment contribution – general category - fixed
- State employee required employer paid contribution for all employment categories – fixed
- State employee required contributions for all employment categories - fixed

3. Statement of Benefits (SOB) –

- OIA reviewed the Department's sample of 100 accounts, recalculating interest, salary, and contributions for 40 accounts. The 40 included complex accounts in

each employment category. OIA confirmed that these accounts were included in the print vendor's file of eligible SOBs, and SOB data was accurate. Earnings calculations, interest and contribution credits appear to be accurate.

- OIA randomly selected an independent sample of 40 additional accounts to follow SOB processing control points, as well as independently recalculate interest, salary, and contributions. OIA's review confirmed the accuracy of the information included on the statements.

Conclusions

1. Lessons Learned: Overall, the *Post and Roll & ETF System Recovery Lessons Learned* report is a very thorough document, and reflects the remarks, suggestions, and decisions discussed during the two lessons learned sessions.

To augment that report, OIA submitted the attached memo, *Post and Roll & ETF System Recovery Lessons Learned Draft Report*, dated November 1, 2012, to the Secretary's Office to provide remarks and recommendations. Included are recommendations to improve the Post and Roll process, ensure lessons learned are recorded and referenced in future projects, and that current "routine" processes are reviewed to determine if they would benefit under the Department's project management methodology.

2. Accuracy of System Recovery:
OIA's independent review confirmed data accuracy of total employer earnings for all state and local employers for all employment categories for the 2011 calendar year, no discernible differences and discrepancies were identified and rectified during the restoration process, and all records and transactions were accounted for after systems restoration.
3. Statement of Benefits Review:
A review of a sampling of Statement of Benefits confirmed earnings calculations, interest and contribution credits appear to be accurate, and the accuracy of the information included on the statements.

I will be available to answer any questions.

Attached:

- Post and Roll & ETF System Recovery Lessons Learned
- OIA memo to Bob Conlin and Rob Marchant, dated November 1, 2012
- Post & Roll/ETF System Recovery Lessons Learned Draft Report, dated November 27, 2012



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CORRESPONDENCE MEMORANDUM

DATE: November 1, 2012

TO: Bob Conlin
Rob Marchant

FROM: John Vincent

SUBJECT: Post and Roll & ETF System Recovery Lessons Learned Draft Report

The Office of Internal Audit (OIA) is submitting remarks and recommendations in connection with the recent Department experience with the annual Post and Roll and the subsequent system recovery effort. OIA's information was a result of attending two lessons learned sessions, one with the Post and Roll implementation team; one with the System Recovery team, reviewing the draft report of lessons learned (*Post and Roll & ETF System Recovery Lessons Learned*), and follow up discussions with key ETF staff.

Remarks

- Lessons Learned Draft Document – Overall, the document is a very thorough document, and reflects the remarks, suggestions, and decisions discussed during the two lessons learned sessions. OIA's observation was that the discussions were open, free-flowing without any restrictions on ideas, concerns, questions and recommendations that were expressed by the participants. The OIA has no comments about the draft report's content.
- Future Actions – The draft report includes proposed action plans for the short-term and long-term. I acknowledge the efforts of those involved in developing the tasks that need to be completed, as well as the "owner" of each task. Similar to action plans included in audit reports, it is critical to name the owner of the task, and to identify the party that will monitor and report on the progress and status of the plans. I have discussed this with Bob Martin and he feels the monitoring/reporting responsibility would best fall under his office, the Office of Enterprise Initiatives (OEI). While each individual task may not be enterprise-wide, they support the annual enterprise-wide Post and Roll project. Bob is in agreement that the OIA should follow up with OEI on the status of the action plans, on behalf of the Secretary's Office and the Audit Committee.

- The long-term task calls for the Department to “make sure all relevant lessons learned are included in the RFP process, for the Business Administration System. The OEI will also take the lead on reviewing the lessons learned during the RFP development.

Recommendations

1. That the annual Post and Roll process be categorized as a project to be administered under the Department’s project management methodology. In addition, that the project management methodology includes the identification of the authority to render “go, no-go” decisions and escalation procedures to address disagreements of process between key staff and to vet concerns.
2. For the Department to establish a repository to record lessons learned and recommendations. In addition, that the project management methodology includes a step that the repository lessons learned and recommendations are reviewed prior to starting the project to identify the recommendations that may be addressed by the project.
3. That the business users review other “routine” processes to identify those that would benefit from project management.



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DATE: November 27, 2012
TO: John Vincent, Director, Internal Audit
FROM: Bob Conlin & Rob Marchant
SUBJECT: Post & Roll/ETF System Recovery Lessons Learned Draft Report

This memo is in response to your November 1, 2012, recommendations (attached) regarding issues surrounding this year's Post & Roll process and System Recovery efforts. We appreciate Internal Audit's review of this matter and thoughtful recommendations. We agree with your recommendations. The following comments relative to each recommendation provide more specifics on how the recommendations will be instituted.

Recommendation 1: *That the annual Post and Roll process be categorized as a project to be administered under the Department's project management methodology. In addition, that the project management methodology includes the identification of the authority to render "go, no-go" decisions and escalation procedures to address disagreements of process between key staff and to vet concerns.*

- We have asked that the Project Management Office (PMO) work with the Division of Retirement Services (DRS) and Office of Budget and Trust Finance (OBTF) to facilitate managing the annual Post & Roll process according to the Department's project management methodology, including appropriate "go, no-go" decision points and issue escalation procedures. As of today's date, the PMO has scheduled initial meetings necessary to carry out this directive.

Recommendation 2: *For the Department to establish a repository to record lessons learned and recommendations. In addition, that the project management methodology includes a step that the repository lessons learned and recommendations are reviewed prior to starting the project to identify the recommendations that may be addressed by the project.*

- The Office of Policy, Privacy and Compliance is currently in the process of working with the PMO to house various "lessons learned" documents in a searchable repository. We have asked the PMO to make sure that various project managers routinely review this repository during project planning.

Recommendation 3: *That the business users review other “routine” processes to identify those that would benefit from project management.*

- We have directed all major work units to review whether any of their significant “routine” processes would be ripe for project management.

CC: Leadership Team
Bob Martin
Jovy Swanton
Bob Willett
Nadine Konrath