



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

801 W Badger Road
PO Box 7931
Madison WI 53707-7931

1-877-533-5020 (toll free)
Fax 608-267-4549
etf.wi.gov

CORRESPONDENCE MEMORANDUM

DATE: November 10, 2014
TO: Audit Committee Members
FROM: Yikchau Sze, Director
Office of Internal Audit
SUBJECT: Contract Invoice Payment Review

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

Attached is the audit report of the Contract Invoice Payment Review. The results of this audit have been submitted and discussed with the Office of the Secretary.

This audit was conducted in accordance with the biennial Audit Plan for 2013-2015.

This audit was performed to provide reasonable assurance that the agency is properly managing vendor contracts regarding costs and deliverables. There are no recommendations in the report.

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

Attachment: Audit report of the Contract Invoice Payment Review

Reviewed and approved by Robert J. Conlin, Secretary

Electronically signed 11/17/14

Board	Mtg Date	Item #
AUD	12.11.14	4A



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Contracts Invoice Payment Review

Audit Report

September 30, 2014

DEPARTMENT of EMPLOYEE TRUST FUNDS

Contracts Invoice Payment Review

Audit Report – September 30, 2014

Background

ETF routinely contracts with various service providers and is in the midst of major initiatives and projects performed by various vendors. The agency must ensure that deliverables required under these contracts are being provided and costs are being managed appropriately. This audit was performed to provide reasonable assurance that the agency is properly managing the contracts regarding costs and deliverables.

Audit Objectives

Verify that vendor invoices are reviewed and approved by contracting business units for fulfillment of contract terms and accurate payment; verify that cost overruns are approved prior to payments, if any.

Audit Scope

The audit scope focused on the twenty five active contracts in fiscal year 2013.

Conclusion

The Office of Internal Audit reports no findings for this audit. All invoice payments from our tested sample of fifteen contracts were accurately paid and supported by management approval. Also, we did not note any cost overrun for the selected sampled contracts. It is the opinion of the Office of Internal Audit that the agency's system of internal control over contract invoice payments is working as designed.

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Audit Testing and Results

The department had 25 active contracts for the 2013 fiscal period. We selected 15 of the contracts to test for invoice payment accuracy, evidence of manager approval of invoices, and any cost overrun. Our sample selection was based on the importance of the service contracted for and overall cost of the contract. Our test selection contained both operational and administrative contracts. The administrative contracts are those performed on behalf of the agency for services, such as the pharmacy benefit management by Navitus, and the employee reimbursement account and commuter benefits performed by Wage Works.

Our review of the 15 contracts established that invoice payments were approved by the responsible managers prior to payments. Management invoice payment approvals indicated that contractors achieved agreed upon deliverables and fulfilled all contract terms. Also, we did not note cost overruns with reviewed samples.