

Status of Internal Audit Plan

2015 - 2017

Office of Internal Audit



Board	Mtg Date	Item #
AUD	6.22.17	6

Executive Summary

This report provides information on the status of the Biennial Internal Audit Plan for FY 2016 and FY 2017 (Plan) as of May 2017. The Plan includes seventeen projects and other internal audit activities. (Note: the audits of Benefit Calculations, Benefit Adjustments and Benefit Distributions were further defined as the Annuity Benefits and Death Benefits audits)

The Office of Internal Audit (OIA) achieved a Plan completion rate of 94% despite significant staff turnover during the plan years. This completion rate was obtained by aligning audit resources with critical risks, implementing a quality assurance program, and rebuilding the audit team with competent auditors.

Detailed Calculation of Completion Rate

Planned Projects	17
Removed Projects	-2
Deferred Projects	-2
	<hr/>
	13
Carried over Project	1
Additional Requests by Management	3
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Total Projects	17
Completed Projects	16
Outstanding Project	1
% of completion	94%

Detailed Audit Plan Status

The tables on this page and the following pages provide the status of audit projects planned for FY2016 and FY2017.

Title	Type	Status	Comment
Pension Benefits			
Annuity Benefits Calculation and Distribution	Audit	Complete	
Death Benefits Calculation and Distribution	Audit	In Process	Target completion date – July 2017
WRS Employer Compliance Pilot Program	Advisory	Complete	
WRS Entity Reporting	Audit	Complete	
Trust Finance			
Annuitant's Payroll	Audit	Complete	
Tax Reporting and Tax Payment	Audit	Complete	
Employee Reimbursement Account	Advisory	Complete	OIA provided consulting service in response to increased risk with expanded scope
Accounts Receivable	Audit	Removed	Removed due to low risk and potential process changes in the Benefits Administration System Rollout 3
Internal Control Plan	Consulting	Complete	
Health Care Benefits			
Income Continuation Insurance Enrollment	Audit	Complete	

Title	Type	Status	Comment
Health Insurance Termination Process	Audit	Removed	Addressed by the Dependent and Domestic Partner Health Insurance Eligibility audit completed in Oct 2015
Full File Compare	Audit	Complete	
Audit Service of Third Party Administrators	Consulting	Complete	OIA issued recommendations and planned to provide continued consulting service in the new plan year to enhance ETF's TPA monitoring
Information Technology and Benefit Administration System (BAS)			
IT Continuity of Operations Plan (COOP)	Audit	Rolled over into the new audit plan	IT COOP plan is expected to be developed in 2018
BAS Authorization Rights	Audit	Complete	Outsourced
BAS Infrastructure and Application Vulnerability Assessment and Penetration Test	Audit	Complete	Outsourced
BAS data conversion	Audit	In Process; rolled over into the new audit plan	Planning started. The audit is deferred; to be aligned with BAS Rollout 2's Jan 2018 go-live schedule
Special Requests by Management			
Market Recognition Account and Effective Rate Calculation Review	Agreed upon procedures/ Consulting	Complete	
Earnings Allocation	Agreed upon procedures/ Consulting	Complete	
OFAC Compliance	Audit	Complete	
Carryover Audit from Prior Plan			
Dependent and Domestic Partner Health Insurance Eligibility	Audit	Complete	

Other OIA Activities

Title	Preliminary Objective	Status	Comment
Internal Audit Manual	Develop and implement audit manual	Complete	
Audit Management Software	Install and configure TeamMate, an audit management software, for use by audit staff	Complete	
Audit Analytics Software	Leverage the existing auditing analytics tool (Audit Command Language) to develop continuous monitoring/auditing approaches	Ongoing	
Fraud Hotline	Investigate the feasibility and administration of fraud hotline	Complete	
Anti-Fraud	Develop anti-fraud auditing strategy to detect and prevent fraud	Ongoing	
Audit Universe	Identify and confirm audit universe for better assessment and mitigation of key risks	Complete	
Internal Quality Assurance Review	Conduct self-assessment of the OIA's compliance with professional auditing standards	Ongoing	
TPA Audit Related Activities	Perform activities related to external auditors engaged by ETF to audit TPAs (See Appendix C of the Plan for the list of TPA audits)	Complete	
Internal Audit Strategic Plan	Implement and evaluate results of internal audit strategic plan initiative	Complete	
Quarterly Audit Recommendation Follow-up	Follow-up and report on the status of outstanding audit recommendations	Complete	
Biennial Audit Plan	Perform risk assessment and plan audit activities for the next plan years	Complete	
Conference & Training	Participate in professional conferences and job related trainings	Complete	



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Correspondence Memorandum

Date: May 26, 2017
To: Audit Committee Members
From: Yikchau Sze, Director
Office of Internal Audit
Subject: Open Audit Issues Report

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

Office of Internal Audit (OIA) updates the Open Audit Issues report quarterly based on status reported by management. Management is responsible for timely completion of actions that address audit findings. OIA is responsible for tracking progress reported by management and formally accept the closure of Internal Audit findings. The formal acceptance is achieved by performing follow-up audits to confirm the completion of corrective actions that are in place for one year.

Open Audit Issues Summary

Audit Office of Internal Audit	Management Corrective Actions				Total	OIA Follow-up
	Closed	In Progress	Open	Over Due		Acceptance Audit
Mobile Computing Device Audit	3	2	0	0	5	N/A
Income Continuation Insurance	6	2	2	1	11	N/A
Health Insurance Eligibility	5	0	1	0	6	N/A
WRS Employer Reporting	3	0	2	0	5	N/A
Full File Compare	3	1	0	0	4	N/A
OFAC Compliance	1	1	0	0	2	N/A
Tax Reporting and Tax Payment	2	0	0	0	2	N/A
	23	6	5	1	35	

Compared with last quarter's status report, three more corrective action items were closed. Management plans to complete the overdue item by September 2017.

Attachment: Open Audit Issues Detailed Report

Open Audit Issues Report as of May 2017

Audit Findings - Internal Audit

Audit	Report Date	Recommendations	Management Responses	Responsible Staff	Estimated Completion Date	Status
Mobile Computing Device Audit - Part I, Laptops and Tablets	November 2014	Establish and document asset management processes	Update and improve IT assets tracking; develop asset tracking policy; Utilize IT Asset Management software provided by STAR	Steven Mueller	March 2016	Closed
		Enhance controls over laptops dedicated for training	Inventory laptops dedicated for training; register loaner mobile devices		November 2014	Closed
		Enhance security measures	ETF will leverage DET's security measures after completing ETF's infrastructure re-hosting project at DET and after DET finishes its pilot project with DOR in April 2017		August 2017	In progress
Mobile Computing Device Audit – Part II, Removable Media Security	January 2015	USB Port Functionality	Re-advertise ETF-Issued Computing Device Policy with potential of revisiting the issue after completion of the infrastructure re-hosting project at DET	Steven Mueller	Moved out to July 2018	In progress (On hold)
		Compliance with Non-ETF Issued Personal Computing Device Policy	Train a second technician on the process; review and update procedures		April 2014	Closed
Income Continuation Insurance (ICI) Enrollment and Premium Reporting	August 2015	To be followed-up by the Division of Retirement Services (DRS):				
		Enhance Third Party Administrator (TPA) management	See Action Plan in the report	Deb Roemer and Kathy Wienkes	August 2017	Closed
		Initiate external monitoring by having Wipfli include the enrollment process as part of its engagement			February 2016	Closed
		Implement a monitoring procedure for evidence of insurability (EOI) applications to ensure timely follow up			January 2017	Overdue
		Apply the same rules for determining the coverage effective date across all enrollment opportunities			June 2017	In progress
		Provide additional employer training and update ICI employer administration manuals			Manuals: March 2016 Procedures: July 2016	Closed
		Improve communication between the Disability Program Section (DPS) and Employer Services Section (ESS)			November 2016	Closed
		Establish an enrollment database			January 2018	Open
		To be followed-up by Division of Trust Finance (DTF):				
		Add an adjustment column to the Monthly Premium Report	See Action Plan in the report	Cindy Klimke-Armatoski	May 2016	Closed
		Foot and cross-foot the Monthly Premium Reports			September 2015	Closed
Begin plans for the foundation of the BAS database needed by 1/1/18		January 2018	In progress			
Calculate all premiums, employee and employer, uniformly (will happen when ETF begins invoicing employers with roll-out 2 of the BAS project planned for 1/1/18)		January 2018	Open			

Open Audit Issues Report as of May 2017

Audit Findings - Internal Audit

Audit	Report Date	Recommendations	Management Responses	Responsible Staff	Estimated Completion Date	Status
Health Insurance Eligibility - Dependent Spouses & Domestic Partners	September 2015	ETF should proactively identify divorced health care participants by enhancing internal communications when a form is received that may indicate divorce or termination of a domestic partnership (DP) information	Division of the Retirement Services has taken the following actions Added a component to its Domestic Relations Order procedure to have Member Services Bureau staff send a job to the Employer Services Section after they review WRS-related divorce documents to make sure the changes are made to the health insurance coverage. Also DRS added content to ET-4928, the form that ETF sends to acknowledge the receipt of a Domestic Relations Order, stating that it is the member’s responsibility after divorce or a termination of a DP to notify their employer so their former spouse or domestic partner can be removed from their insurance coverage Inquired about the feasibility of using queries from the Wisconsin Circuit Courts Access (WCCA) System for data cross checking and concluded that the use of WCCA does not appear to be practical.	Kathy Wienkes - ESS	October 2017	Closed (as of February 2016)
		ETF should improve communication, education, and increase awareness of compliance requirements	The Employer Services Section (ESS) will ensure this topic is included in the 2017 IYC open enrollment period materials. Additionally, ESS will work on getting this topic highlighted in all future communications on the ETF website. This will include revisions to both the state and local health insurance employer administration manuals.	Kathy Wienkes - ESS	November 2016	Closed Closed
			The Office of Strategic Health Policy (OSHP) and ESS plan to work with DOA for potential work rule mandate of timely coverage removal upon divorce or other qualifying event. OSHP also plans on reviewing and potentially modifying both the state and local health insurance contracts with health providers to provide that timely notice of a qualifying event must be given to the employers.	Lisa Ellinger - OSHP	November 2017	Open
		ETF should enhance communication and provide clear instructions to employers to improve COBRA compliance	ESS is currently providing training through webinars on COBRA compliance to employers. However, ESS plans to cover this topic in greater detail in the “Health Insurance Eligibility” and “MyETF Benefits” employer webinars. ESS plans to continue these employer webinars year round. In addition, ESS plans to update both the state and local employer health insurance manuals in order to cover the employer requirements on this topic in greater detail.	Kathy Wienkes - ESS	October 2016 January 2016	Closed Local Manual Closed

Open Audit Issues Report as of May 2017

Audit Findings - Internal Audit

Audit	Report Date	Recommendations	Management Responses	Responsible Staff	Estimated Completion Date	Status
					November 2015	State Manual Closed (Chapter 5, Section 505)
WRS Employer Reporting	March 2016	To be followed-up by DRS:				
		Expand the Employer Compliance Review Program to include: hours, payroll screen shots, sample testing ineligible employees on an employer's payroll	DRS will broaden its review to include a sampling to verify employee hours and ineligible employees. In addition, DRS will include more samples of payroll screen shots for applicable employers.	Jeff Miller	Second Quarter of 2016	Closed
		Follow-up with employers who routinely report and/or pay late and provide education and/or training	DRS ESS case manager will follow-up with the employers identified by this audit, the monthly remittance report tracking sheet and staff. The follow-up will serve as an opportunity to educate the employers and answer any questions they have.	Kathy Wienkes	July 2016	Closed
		Educate employers on sending PII information securely	DRS will work with OPPC to communicate privacy risks and tips to employers	Matt Stohr	Next 2016 Employer Bulletin	Closed (Sept 2016)
		Collect WRS earnings and hours at the employee level more frequently than on an annual basis	Will be in place with BAS Rollout 2	Matt Stohr	January 2018	Open
		To be followed-up by DTF:				
Charge interest when employers do not report earnings and contributions timely	Will be in place with BAS Rollout 2	Laura Vang	January 2018	Open		
Full File Compare Process	May 2016	To be followed-up by DRS:				
		Improve management oversight; create detailed procedures and work manual; define and standardize communication protocols with health plans	Management agreed with the recommendations and will implement corrective actions based on the resource availability and priority.	Jaymee Meier	January 2017	Closed
		Evaluate the data being compared by the FFC to align the reconciliation effort with the objective of the process; review the data being captured by MEBS to ensure only accurate and relevant data will be migrated to BAS		Matt Stohr	July 2017	In progress
		Communicate and coordinate with the health plans for a synchronized and prioritized approach to eliminate the accumulative effect of delayed FFC exception resolution		Matt Stohr	November 2016	Closed
		To be followed-up by Bureau of Information Technology Services (BITS):				
Monitor account access activities of the secured FTP site and disable inactive accounts	Current inactive accounts were disabled; monitoring would be implemented in July	Mark Robinson	August 2016	Closed		
OFAC	November 2016	Document all procedures used to verify OFAC Compliance and conduct risk assessment of OFAC compliance	Management agreed with the recommendation	Blain Parsons	January 2017	Closed

Open Audit Issues Report as of May 2017

Audit Findings - Internal Audit

Audit	Report Date	Recommendations	Management Responses	Responsible Staff	Estimated Completion Date	Status
		Consider incorporating system controls in BAS implementation	Management agrees a system control would be ideal and has requested the implementation of a warning feature to be considered as part of the BAS project. In addition, management has requested the payroll process be enhanced to include an automated solution for the overall OFAC process a part of the BAS project.		Late 2019	In progress
Tax Reporting and Tax Payment- Withholding	January 2017	Develop written procedures to document the improved withholding tax process that is currently in place	Management will ensure the state and federal withholding tax process is fully documented	Blain Parsons	March 2017	Closed
		Start cross-training a backup person once the procedure s are documented	Until additional staffing is approved and hired, management will work with existing staff to train and provide backup of essential tax functions.			Closed