



# Employer Reporting

## Process Overview and Risk Assessment

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# Process Overview

# Background – Participating Employers & Active Members

Employer	2016	2017	2018	2019	2020 <sup>3</sup>
State Agencies, UW & Public Authorities	58	57	56	56	56
Local Government <sup>1</sup>	779	784	795	805	805
School District	422	422	422	421	421
Other <sup>2</sup>	236	236	234	234	234
<b>Total</b>	<b>1,495</b>	<b>1,499</b>	<b>1,507</b>	<b>1,516</b>	<b>1,516</b>
<b>Active Members</b>	<b>257,285</b>	<b>257,413</b>	<b>257,911</b>	<b>260,251</b>	<b>258,732</b>

<sup>1</sup> Includes Cities, Counties, Villages and Towns.

<sup>2</sup> Includes Cooperative Educational Service Agencies, WI Technical College System Districts, and Special Districts.

<sup>3</sup> Amounts shown for 2016 – 2019 were taken from the WRS Financial Reports. The 2020 totals were provided by ESS staff. Active Members for 2020 are as of September 30, 2020.

# Background – Annuity Benefits

Data Elements	Source	Process
Demographic (Name, SSN, DOB, etc.)	Employer	Enrollment
Years of Service	Employer	Annual Reporting
Employment Category	Employer	Enrollment/ Periodic Reporting
Earnings	Employer	Annual Reporting/ Periodic Reporting
Hours	Employer	Annual Reporting/ Periodic Reporting
Factors	Actuary	Actuarial Review

- WRS retirement benefit payments in CY 2019 totaled \$5.65 billion.
- Member earnings are reviewed during the retirement calculation process and follow-up is performed with the employer for large variances.
  - Member Services Bureau staff review the member earnings during the retirement benefit estimate process.
  - Benefit Initiation Section staff review the member earnings during the final benefit calculation process.

# Internal Controls



# Employer Reporting

## Monthly Remittance Reporting

- Each month employers submit their employer and employee contributions to ETF and report the total earnings that correspond with the reported contributions.

## Periodic Transaction Reporting

- Throughout the year, employers submit transactions to report earnings and hours for terminated employees and employees with leaves of absences.

## Annual Reporting

- At the end of each year, employers submit the earnings, hours and contributions for each of their active employees that are participants of the WRS.

# ESS Monitoring & Guidance

## Employer Training

- ESS provides training to employers to ensure employers understand their reporting responsibilities.

## Monitoring Reports

- ESS reviews several reports that are available to identify possible errors.

## Employer Compliance Reviews

- A selection of employers are chosen each year for review of their compliance with the WRS administration rules.

# ESS Monitoring & Guidance

## - Employer Training

### Frequency

- Live trainings are available year-round, peaking in December/January for Annual Reconciliation training.
- Recorded trainings on a variety of topics are available on demand for those unable to attend live session.

### Topics

- Annual Reconciliation, Eligibility, Rehired Annuitants, Reportable Earnings & Hours, Category Determination, etc.



# ESS Monitoring & Guidance

## - Employer Training

- Trainings are not required but are strongly encouraged
- Attendance

Year	Individuals <sup>2</sup>	Employers <sup>2</sup>	At least one training
2016	362	263	255
2017	697	591	377
2018	1,409	1,223	713
2019	1,614	1,433	862
2020 <sup>1</sup>	707	701	550
Average	958	842	551

<sup>1</sup> Attendance as of 10/30/2020

<sup>2</sup> Some Individuals and Employers attended multiple sessions in a year

# ESS Monitoring & Guidance

## - Monitoring reports

### Suspended Employee Transactions

- This is a daily system generated report that identifies transactions posted by employers that have possible incorrect information. These transactions must be corrected before they are processed.

### Transaction Impact Reports

- This daily system generated report identifies transactions that are suspected of having possible errors.

### Annual Spike and Dips Analysis

- A BA creates this analysis, which is reviewed by the ESS to analyze the earnings reported the past 3 years for each member to identify and follow-up on any large variances from year to year.

# ESS Monitoring & Guidance

## - Employer Compliance Review

Each employer selected has the following areas of review:

- Basic Census Data (Name, SSN, DOB)
- WRS Eligibility Determination
- Rehired WRS Annuitants
- WRS Reportable Hours and Earnings

Year	# of Employers Reviewed	Comments
2016	19	
2017	-	No reviews completed due to staff turnover.
2018	3	
2019	9	
2020	3	2 of these reviews are still being completed.

Issues identified in these reviews included misreported earnings and hours, which led to late reported adjustments that could have impacted the members' benefit if they were retired.

# Reconciliation and Corrections

## Pre-reconciliation

- Prior to the submission of their December Remittance Entry, employers are instructed to review the reports available on the ETF Web Applications for Employers and compare the information to their payroll system. Any corrections to the contributions can then be made with the December Remittance Entry.

## December Remittance Entry

- If there were any differences noted in the pre-reconciliation process, the employer should include the corrections with the December Remittance Entry.

## Annual Reconciliation

- After the December Remittance Entry has been submitted, the total earnings and contributions submitted through the annual reporting is compared to the 12 monthly remittance entries. The employer must work with their ETF case manager to resolve any differences.



# Risk Assessment and Considerations

# Risk Assessment

## Inherent Risk - High

	5 = Catastrophic / Critical	5 = High	10 = High	15 = Very High	20 = Very High	25 = Very High
	4 = High	4 = Medium	8 = Medium	12 = High	16 = High	20 = Very High
Impact	3 = Moderate	3 = Low	6 = Medium	9 = Medium	12 = High	15 = High
	2 = Low	2 = Very Low	4 = Low	6 = Medium	8 = Medium	10 = High
	1 = Incidental	1 = Very Low	2 = Very Low	3 = Low	4 = Low	5 = Medium
		1 = Remote	2 = Unlikely	3 = Possible	4 = Likely	5 = Expected
		Likelihood				

Impact - Moderate

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Financial\* – Moderate  
 Reputational\* – High  
 Operational\* - Low

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Likelihood - Expected

\* See Appendix for detailed impact assessment criteria



# Internal Control Limitations and Challenges

Control Activities	Limitations	Challenges
<b>Employer Training</b>	<ul style="list-style-type: none"> <li>• Not employer specific</li> <li>• Not required</li> </ul>	<ul style="list-style-type: none"> <li>• Employer Agent turnover</li> <li>• Unenforced attendance</li> </ul>
<b>Employer Reporting</b>	<ul style="list-style-type: none"> <li>• Infrequent</li> <li>• Not full payroll information</li> </ul>	<ul style="list-style-type: none"> <li>• Configuration changes</li> <li>• Lack of functionality of the legacy system</li> </ul>
<b>Reconciliation</b>	<ul style="list-style-type: none"> <li>• Not at individual member level</li> <li>• Once a year</li> </ul>	<ul style="list-style-type: none"> <li>• Lack of functionality of the legacy system</li> </ul>
<b>Employer Compliance Review</b>	<ul style="list-style-type: none"> <li>• Small coverage</li> <li>• Inconsistent reviews from year to year</li> </ul>	<ul style="list-style-type: none"> <li>• Lack of resources</li> </ul>

# Risk Assessment

## Residual Risk - Medium

Internal Control Effectiveness	5 = Weak / Non-existent	5 = Very Low	10 = Low	15 = Medium	20 = High	25 = Very High
	4 = Marginally Adequate	4 = Very Low	8 = Low	12 = Medium	16 = High	20 = Very High
	3 = Adequate	3 = Very Low	6 = Very Low	9 = Low	12 = Medium	15 = High
	2 = Reasonably Strong	2 = Very Low	4 = Very Low	6 = Low	8 = Medium	10 = Medium
	1 = Strong	1 = Very Low	2 = Very Low	3 = Low	4 = Low	5 = Medium
		1 = Very Low	2 = Low	3 = Medium	4 = High	5 = Very High

Inherent Risk

Internal Control Rating	
	The control processes and management's mitigating activities resulted in:
Weak	- no reduction in the frequency and/or severity of the risk event
Marginally Adequate	- minimal reduction in the frequency and/or severity of the risk event - major gaps and deficiencies have been identified
Adequate	- partially reducing the frequency and/or impact of the risk event occurring - opportunities for improvement and /or adding additional compensating controls to help mitigate the residual risk
Reasonably Strong	- reducing the frequency and/or impact of the risk event - incremental opportunities for improvement and therefore the control cannot be considered strong
Strong	- significantly reducing the frequency and/or impact of the risk event - It does not mean that there is no exposure to risk or that the risk has been reduced to zero





# Independent Reviews of Employer Data

## Legislative Audit Bureau (LAB)

Annually since 2013, LAB performs a sample review on three population groups and no significant findings have been identified.

Population Group	Active Employees	Ineligible Employees
State Employers*	45 - 55	20 - 25
UW*	25 - 35	5 - 10
Other	145 - 160	15 - 20
<b>Total</b>	<b>215 - 250</b>	<b>40 - 55</b>

\* LAB compares the Active Lives file earnings with the DOA (i.e. State Employers) and UW Annual Reports and test a sample of variances.

## Office of Internal Audit (OIA)

### 2016 WRS Employer Reporting Audit

- 1,524 random samples across all employer categories with 95% confidence level
- 1.9% error rate in Earnings with 93% due to timing

### 2020 Member Account Adjustment Audit

- Reviewed 515 Late Reported Earnings adjustments; identified 3 immaterial errors

Independent reviews conducted by LAB and OIA did not identify any significant findings in their testing.

# Improvement Opportunities and Considerations



Improvement	Dependency	Improvement Plan
Tailored Training	Training software to schedule, track, and develop employer trainings	Successful launch of Cornerstone training software in 2021
More Employer Compliance Review	Delegated resources	Maintain consistent review level by cross training and prioritization
Payroll Cycle Reconciliation at Individual Member Level	System functionality	Implement new pension administration system

# Appendix

## - Risk Assessment Impact Scale

Impact / Significance Scale		FINANCIAL*		REPUTATIONAL*	OPERATIONAL*	COMPIANCE*	STRATEGIC*	DESCRIPTION	EXAMPLE of Operational Risk
IMPACT	FINANCIAL*		REPUTATIONAL*	OPERATIONAL*	COMPIANCE*	STRATEGIC*	DESCRIPTION	EXAMPLE of Operational Risk	
	Statements	Other							
(5) Catastrophic / Critical	> \$1BLN	Greater than 15% of operating budget or program assets	Irreversible damage to ETF reputation and credibility; Irreversible loss of member confidence	Complete stoppage of business services for foreseeable future	Violation(s) resulting in widespread data loss, monetary fines, regulatory intervention, etc.	Failure to meet ETF's strategic goals	The risk will cause the objective to not be achieved	No training can be provided to users before the deployment of the new system	
(4) High	\$100M - \$1BLN	Between 10% and 15% of operating budget or program assets	Adverse media exposure is persistent and in multiple publications; Increase in member inquiries	Widespread disruption to service levels, business activities, and/or critical processes	Significant violation(s) of laws, guidelines, or breach of fiduciary duty	Significant delays or reductions in scope of ETF's goals	The risk will cause major elements of objectives to be delayed or not be achieved	Limited training will be provided to some users before the deployment of the new system	
(3) Moderate	\$1M - \$100M	Between 5% and 10% of operating budget or program assets	Media exposure includes criticism from several sources; Members remain confident	Temporary disruption to service levels and/or business activities; Minor impact on critical processes	Moderate violation, potentially leading to increased scrutiny	Delays or revisions to ETF's strategic goals	The risk will cause some elements of objectives to be delayed or not be achieved	Adequate training will be provided to critical users before the deployment of the new system	
(2) Low	\$100K - \$1M	Between 1% and 5% of operating budget or program assets	Local/limited media exposure having minimal impact on reputation	Minor/temporary impact to service levels and/or business activities; No impact to critical processes	Minor legal/compliance violations	Minor delays or revisions to goals	The risk will cause some minor elements of objective to be delayed	Adequate training will be provided to the majority of users before the deployment of the new system	
(1) Incidental	<\$100K	Less than 1% of operating budget or program assets	No impact to ETF's reputation	No impact to service levels, business activities or critical processes	No legal/compliance violations	No impact to achievement of goals	The risk will not substantively impede the achievement of the objective	Adequate training will be provided to all users before the deployment of the new system	

\*Financial Risk - Risk that could result in a negative financial impact to the organization in term of waste or loss of assets / financial statement material misstatement/misrepresentation

\*Reputational Risk - Risk that could expose the organization to negative publicity

\*Operational Risk - Risk that could disrupt operations or prevent the organization from operating in the most effective and efficient manner

\*Compliance Risk - risk that could expose the organization to fines and penalties from a regulatory agency due to non-compliance with laws and regulations

\*Strategic Risk - Risk that would prevent an organization from accomplishing its mission and strategic goals



**Questions?**

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# Thank you

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