

Internal Audit Plan - Draft

FY 2026

Office of Internal Audit

May 19, 2025



Board	Mtg Date	Item #
AUD	06.19.25	5A

EXECUTIVE SUMMARY

The Office of Internal Audit (OIA) is submitting Fiscal Year (FY) 2026 audit plan for the Audit Committee approval, as required by the OIA Charter, Audit Committee Charter, and by the Institute of Internal Auditors (IIA) Global Internal Audit Standards.

The audit plan is a critical document to ensure OIA resources are used efficiently and effectively to fulfill our mission and strategic goals.

This plan includes engagements covering six audit focus areas that will be performed by the OIA and two information technology (IT) projects, including a comprehensive risk assessment that will be outsourced to the IT auditing and consulting firm. Third-party administrator (TPA) contract compliance audits, including both insourced and outsourced audits, are included to provide a full picture of audit coverage of ETF (see Appendix C).

The audit plan is a dynamic document that will change in response to changes in business risks, timing of ETF initiatives, and resource availability. Any significant deviation from the approved audit plan will be communicated to the Audit Committee and ETF Senior Management through quarterly activity reports for appropriate approval. The achievement of the audit plan will be reviewed as part of OIA strategic goals reporting to the Audit Committee at the appropriate calendar year end.



Audit Plan

A RISK BASED AUDIT PLANNING APPROACH

The OIA used a systematic approach in identifying critical risks to develop the audit plan. The risk assessment results were summarized and prioritized into an overall audit plan that addresses critical risks while taking into consideration ETF's operational needs and available resources (see Appendix A for Budget). The following was the approach taken in developing the plan:

Scope Understanding	Information Gathering	Information Analysis	Audit Plan Development	Audit Plan Approval
<ul style="list-style-type: none"> • Gained understanding of current risk environment by reading publications, attending professional conference and training • Gained understanding of ETF's strategic objectives and key initiatives by attending various management meetings 	<ul style="list-style-type: none"> • Updated the risk assessment template and the survey questionnaires • Conducted interviews with division administrators, office directors, and other senior management and key staff as needed 	<ul style="list-style-type: none"> • Assessed input from members of management team, and subject matter experts • Developed a preliminary plan based on risk assessment results and available OIA resources 	<ul style="list-style-type: none"> • Gathered input from the Audit Committee Chair, ETF Board Chair, and made necessary adjustments to the plan • Discussed with the Secretary's Office on: <ul style="list-style-type: none"> • Risk assessment results • Concerns and priorities of the Executive Team • Potential audit focus areas • Finalized draft audit plan for approval 	<ul style="list-style-type: none"> • Review and discuss the proposed audit plan with the Audit Committee in the June Audit Committee Meeting • Obtain Audit Committee approval • Publish the audit plan on ETF Connect OIA page



TYPES OF PROJECTS TO COVER RISK AREAS

The OIA considered the risk profile of the agency when identifying and prioritizing projects (see Appendix B for Risk Assessment and Audit Planning). Different functions and processes will receive different levels of review based on their importance and perceived risks. Our engagements are typically structured as assurance services, advisory services, or Agreed-upon Procedures.

Audit

Responding to high and medium risks with assurance provided



- Provide assurance
- Issue audit report
- Estimated effort of each audit: 320 - 400 hours

Advisory

Addressing key risks by providing recommendations and guidance to help solve problems, achieve objectives, or improve performance without independent verification of information, processes or systems



- Provide no assurance
- Issue advisory report or memo as deliverable; significant deficiency identified would be reported to senior management and the Audit Committee
- Estimated effort of each advisory service: 280 - 360 hours

Agreed-upon Procedures (AUP)

Routine testing of specific data, transactions and calculations



- Perform specific testing procedures agreed to with management
- Report on results by issuing brief memo to management
- Estimated effort of each project: 40 – 80 hours

RISK THEMES

The OIA aggregated and categorized identified risks into the following three top “Risk Themes.” This process, by its nature, is subjective and based on the auditor’s experience and professional judgement.

Resources & Change Management

Failure to effectively manage resources and execute changes may result in inefficiency, increased cost, delayed project timeline, reduced employee morale, and poor service delivery, which will increase operational and reputational risks.

Data Quality and Protection

Inaccurate and/or incomplete data can lead to poor customer service, inaccurate financial reporting, error in actuarial estimates, and ineffective or incorrect decision making. Failure to properly protect sensitive data may cause unauthorized use and/or disclosure.

Transaction Processing

Increased difficulty in supporting legacy applications, and system integration and process re-engineering of the new systems may result in incorrect, incomplete, or untimely transaction processing.

ENGAGEMENT FOCUS AREAS

There are a number of discrete focus areas that support the broader Risk Themes identified on the preceding page, as showcased in the table below. These focus areas, except the IT risk assessment, have been subjectively placed on a heat map on the following page.

Resource & Change Management

- Insurance Administration System (IAS) Program Monitoring
- Pension Administration System (PAS) Project Groundwork
- System Development Life Cycle Management (SDLC)

Data Quality and Protection

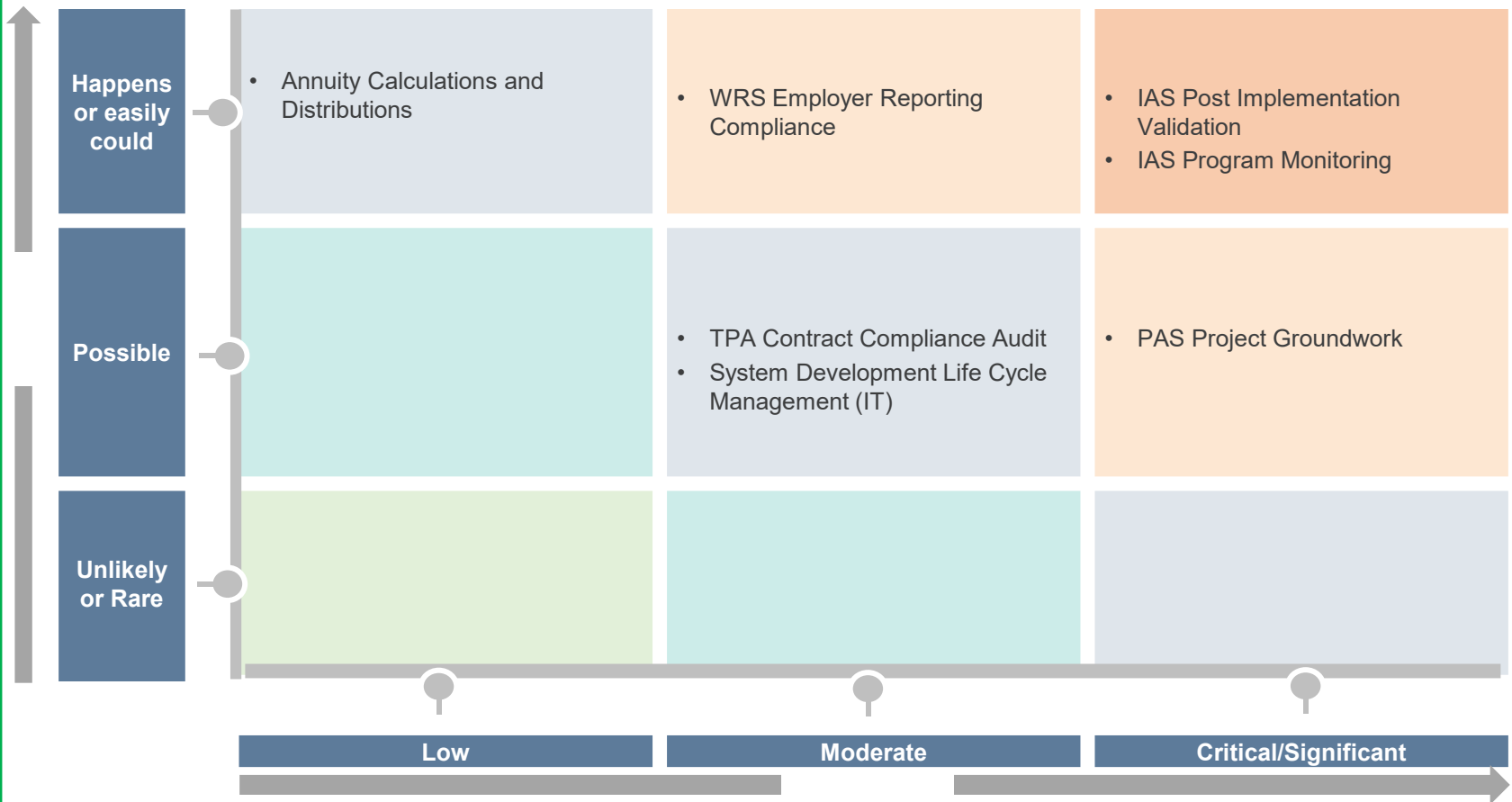
- IAS Post Implementation Validation
- TPA Contract Compliance Audit
- Comprehensive IT risk assessment

Transaction Processing

- WRS Employer Reporting Compliance
- Annuity Calculations and Distributions
- IAS Post Implementation Validation

HEAT MAP

OIA subjectively mapped the risks identified based on Likelihood and Significance to ETF on this heat map. The results of this mapping exercise plays a role in the prioritization and scheduling of proposed engagements.



PROPOSED AUDIT PLAN

The tables on this page and the following pages provide a summary of the planned engagements by the focus areas. Objectives and scopes of each project will be finalized at the formal planning phase of the project. This plan will be refreshed periodically, via inquiry with a select group of leadership and stakeholders, to confirm accuracy based on changing risk conditions and external factors that may impact ETF.

Resource and Change Management			
Engagement	Type	Description	Estimated Hours
IAS Program Monitoring	Advisory	Conduct independent oversight to monitor and provide feedback on IAS program management	1800
PAS Project Groundwork	Advisory	Monitor progress on PAS vendor selection and pre-implementation planning, including advising on lessons learned through OIA's IAS Program monitoring.	80
System Development Life Cycle Management (IT)	Advisory (Outsource)	Evaluate whether the SDLC methodology is followed, and sound project management and change management disciplines are utilized	200

PROPOSED AUDIT PLAN (CONT.)

The tables on this page and the following pages provide a summary of the planned engagements by the focus areas. Objectives and scopes of each project will be finalized at the formal planning phase of the project. This plan will be refreshed periodically, via inquiry with a select group of leadership and stakeholders, to confirm accuracy based on changing risk conditions and external factors that may impact ETF.

Data Quality and Protection			
Engagement	Type	Description	Estimated Hours
IAS Post Implementation Validation	Audit	Evaluate the implementation of key business processes, including but not limited to benefits enrollment, billing and payment, to ensure outcome are delivered as expected	400
TPA Contract Compliance Audit	Audit	Perform contract compliance audit on benefit programs administered by the TPAs, including: - Pre-tax saving account programs vendor transition audit - Wisconsin Deferred Compensation program	360 400

PROPOSED AUDIT PLAN (CONT.)

The tables on this page and the following pages provide a summary of the planned engagements by the focus areas. Objectives and scopes of each project will be finalized at the formal planning phase of the project. This plan will be refreshed periodically, via inquiry with a select group of leadership and stakeholders, to confirm accuracy based on changing risk conditions and external factors that may impact ETF.

Transaction Processing			
Engagement	Type	Description	Estimated Hours
WRS Employer Reporting Compliance	Advisory	Evaluate the process of reviewing and responding to reported employer compliance issues	240
Annuity Calculations and Distributions	Agreed-upon Procedures	Ensure the WRS benefits are calculated correctly and distributed timely	160
IT Risk Assessment	Advisory (outsource)	Assess ETF's IT environment to develop a comprehensive IT audit plan	200
IAS Post Implementation Validation	Audit	Evaluate the implementation of key business processes, including but not limited to benefits enrollment, billing and payment, to ensure outcome are delivered as expected	400

APPENDIX A - Budget

ESTIMATED OIA HOURS

	Director	Staff Total	Team Total	
Total Hours	2,080	6,240	8,320	100%
Less		-		
Meetings	120	150	270	
General Administration	120	180	300	
Continuing Professional Education Requirement	40	120	160	
Holidays, Vacations & Other Leaves	200	1,080	1,280	
	480	1,530	2,010	24%
Internal Audit Activities				
<i>Audit Planning, including Strategic Plan</i>	200	30	230	
<i>Data Analytics Program</i>	20	610	630	
<i>Fraud Hotline Monitoring</i>	20	20	40	
<i>IT Audit Outsourcing Management</i>	400	-	400	
	640	660	1,300	16%
Total Available Project Hours for Audit Plan Completion	960	4,050	5,010	60%

Available Project Hours - Audit Plan Allocation				
Planned Engagements	768	3,840	4,608	92%
Contingency	192	210	402	8%
	960	4,050	5,010	

Total hours are based on the current staffing level. OIA has requested a new FTE position through the biennial budget process to ensure continued progress in the Data Analytics Program, enhance readiness to address emerging risks, and expand audit coverage.

APPENDIX B - Risk Assessment And Audit Planning

RISK ASSESSMENT AND AUDIT PLANNING

Risk Definition

Risk is defined as “the possibility that an event will occur and adversely affect the achievement of objectives.”

Risk Assessment

OIA identified auditable areas based on ETF’s organizational structures, benefit programs, and supporting functions. The risk assessment used five risk elements to measure and prioritize auditable areas. Each risk elements was assigned a numeric value of 0-5 and were weighted as following:

- Annual Transaction Volume (15%), considers impacts to WRS members or ETF staff
- Program Complexity (20%), reflects the degree of knowledge required and/or the level of involvements to complete a transaction
- Process Change (25%), considers the newness of the process in place
- Internal Control (20%), reflects the extent to which the controls were considered effective based on reviews performed by OIA, management Second Line of Defense, and external assurance providers
- Time Since Last Review (20%), also considers the timing and scope of other reviews and evaluations performed by other assurance functions.

The risk assessment, therefore, was a professional judgment, based on quantitative measures, such as volumes reported by the audited financial statements/ ETF internal system records, along with qualitative factors, such as staff surveys, interviews, or meeting observations.

Audit Planning

The risk scores were ranked from the highest to the lowest. The ranking played a significant role in the prioritization and scheduling of engagements in the proposed audit plan. Additionally, fraud risk was analyzed and considered in the planning process to ensure appropriate audit coverage.

Please refer to **Figure 1** for the risk assessment details. The highlighted areas are considered for FY26 audit plan.

RISK ASSESSMENT AND AUDIT PLANNING (CONT.)

Figure 1. Risk Assessment Details

Auditable Areas*			Risk Assessment						
Area	Activity	Business Unit	Volume	Complexity	Process Change/Newness	Internal Control	Time Since Last Review	Total Score	
			15%	20%	25%	20%	20%	100%	
Modernization	IAS Implementation	OEI	0.75	1.00	1.25	0.60	1.00	4.60	
Accounting	Insurance Plans Financial Transaction Processing	DTF IPA	0.30	0.80	1.25	0.60	1.00	3.95	
Resource Management	Portfolio and Project Management	OEI	0.75	1.00	0.75	0.80	0.60	3.90	
Data Management	Master Data Management	DMB	0.75	1.00	1.25	0.60	0.20	3.80	
Employer Services	Health Insurance Applications and Eligibility	DBA ESB	0.30	0.60	1.25	0.60	1.00	3.75	
Employer Services	COBRA	DBA ESB	0.15	0.60	1.25	0.60	1.00	3.60	
Pre-Tax Benefits	Benefit Administration Through TPA	OSHP	0.30	0.80	1.25	0.80	0.40	3.55	
Accounting	Retirement Plans Financial Transaction Processing	DTF RAB	0.75	1.00	0.75	0.60	0.40	3.50	
Accounting	WRS Member Account Maintenance	DTF RAB	0.75	1.00	0.75	0.60	0.40	3.50	
Employer Services	Employer Compliance	DBA ESB	0.75	0.60	0.50	0.60	1.00	3.45	
Contract Administration	Contract and Vendor Management	OBM BCAP	0.75	0.80	0.50	0.40	1.00	3.45	
Employer Services	Employer Reporting	DBA ESB	0.75	0.80	0.50	0.40	1.00	3.45	
Employer Services	Employer WRS Annual Earnings Reconciliation	DBA ESB	0.75	0.80	0.50	0.40	1.00	3.45	
Retiree Services	Health Insurance Enrollment and Administration	DBA BSB	0.45	0.80	0.50	0.60	1.00	3.35	
Financial Statements	Financial Reporting	DTF	0.75	1.00	1.00	0.40	0.20	3.35	
Agency Services	Records Management	OC	0.75	0.40	0.75	0.40	1.00	3.30	
Human Resources	Retention	OTM	0.75	0.40	0.75	0.40	1.00	3.30	
Continuous Operation	COOP	OS	0.75	0.60	0.50	0.40	1.00	3.25	
Agency Services	Facilities, Supply And Mail Services	OBM AS	0.75	0.40	0.50	0.60	1.00	3.25	
Agency Level Compliance	HIPAA	OPPC	0.75	0.60	0.50	0.40	1.00	3.25	
Call Center	Responding to Inquiries and Processing Changes (Ad	DBA MSB	0.30	1.00	0.50	0.60	0.80	3.20	
Agency Level Compliance	Web Content Accessibility Guidelines (WCAG) 2.1	OC	0.45	0.60	0.50	0.60	1.00	3.15	
Member Services	Benefit Estimate & Member Counseling	DBA MSB	0.30	1.00	0.25	0.60	1.00	3.15	
Disability Benefits	Disability Retirement	DBA BSB	0.15	0.80	0.75	0.40	1.00	3.10	
Pharmacy Benefits	Benefit Administration Through TPA	OSHP	0.75	1.00	0.50	0.60	0.20	3.05	
Life Insurance	Benefit Administration Through TPA	OSHP	0.75	0.80	0.50	0.60	0.40	3.05	
Retiree Services	Sick Leave Conversion	DBA ESB & BSB	0.30	1.00	0.50	0.60	0.60	3.00	
Member Services	Abandoned Accounts	DBA MEB	0.15	1.00	0.25	0.60	1.00	3.00	
Retirement Benefits	Required Minimum Distribution	DBA BSB	0.15	0.80	0.75	0.80	0.40	2.90	
Employer Services	WRS Employer Invoicing	DBA ESB	0.75	0.60	0.50	0.60	0.40	2.85	
Retirement Benefits	Rehired Annuitants	DBA BSB	0.15	0.60	0.50	0.60	1.00	2.85	
Employer Services	Employer Set-Up	DBA ESB	0.15	0.60	0.50	0.60	1.00	2.85	
Dental Benefits	Benefit Administration Through TPA	OSHP	0.75	0.60	0.50	0.60	0.40	2.85	
Actuarial Valuation	Actuarial Reporting, Wrs Effective Rate, Annuity Adj	DTF FCB	0.75	1.00	0.50	0.20	0.40	2.85	
Retirement Benefits	Reciprocity	DBA BSB	0.15	0.80	0.25	0.60	1.00	2.80	
Retirement Benefits	Service Purchase	DBA BSB	0.15	0.80	0.25	0.60	1.00	2.80	
Accounting	Annual Member Processes, Including Interest Credit	DTF RAB	0.75	0.80	0.25	0.40	0.60	2.80	
Retiree Services	Insurance Premium Deductions	DBA BSB	0.30	0.60	0.50	0.60	0.80	2.80	
Retirement Benefits	Variable Election and Transfer	DBA BSB	0.15	1.00	0.25	0.60	0.80	2.80	
Retirement Benefits	Retirement Benefit Payroll	DBA BSB	0.75	0.60	0.25	0.20	1.00	2.80	
Tax	Tax Reporting	DTF FCB	0.75	0.60	0.75	0.20	0.40	2.70	
Procurement	Procurement Management	OBM BCAP	0.75	0.60	0.50	0.40	0.40	2.65	
Retirement Benefits	Qualified Domestic Relations Order	DBA BSB	0.15	0.60	0.25	0.60	1.00	2.60	
Disability Benefits	Long Term Disability Insurance	DBA BSB	0.15	0.60	0.25	0.60	1.00	2.60	
Retirement Benefits	Death Benefits	DBA BSB	0.15	1.00	0.25	0.20	1.00	2.60	
Disability Benefits	Duty Disability	DBA BSB	0.30	1.00	0.25	0.60	0.40	2.55	
Deferred Compensation	Benefit Administration Through TPA	DBA	0.45	0.60	0.50	0.60	0.40	2.55	
Agency Expenses	P-Card & Accounts Payable	OBM BCAP	0.45	0.40	0.25	0.40	1.00	2.50	
Wellness Program	Benefit Administration Through TPA	OSHP	0.45	0.60	0.50	0.60	0.20	2.35	
Disability Benefits	ICI Administration Through TPA	DBA BSB	0.45	0.60	0.50	0.40	0.40	2.35	
Retirement Benefits	Pension Benefit Calculation & Processing	DBA BSB	0.30	1.00	0.50	0.20	0.20	2.20	
Human Resources	Recruitment	OTM	0.15	0.60	0.50	0.40	0.20	1.85	
Agency Level Compliance	Open Record Requests	OLS	0.15	0.20	0.25	0.20	0.40	1.20	
Modernization	PAS Implementation (Intend Of Award Issued In Mar	OEI DBA	0.75	1.00	To be assessed in FY26				
*IT and security will be seperately assessed through the IT risk assessment project in FY26.									

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APPENDIX C – Third-Party Administrators

TPA CONTRACT COMPLIANCE AUDITS

Program	TPA	ETF Responsible Business Area	Audit Resource	Next Audit Cycle (Calendar Year)
Wisconsin Deferred Compensation Program (WDC)	Empower Retirement	Division of Retirement Services	OIA	2026 for 2025
Income Continuation Insurance (ICI)	The Hartford	Division of Retirement Services	OIA	2027 for 2024, 2025 and 2026
Pharmacy Benefit Manager	Navitus	Office of Strategic Health Policy	Outsource	Annual
Employee Reimbursement Account/Health Savings Accounts/Commuter Benefits (ERA/HSA/CB)	Optum Financial; TASC	Office of Strategic Health Policy	OIA	2026 for Vendor Transition Audit
Life Insurance	Securian	Office of Strategic Health Policy	Outsource	2026 for 2024 and 2025
Uniform Dental	Delta Dental	Office of Strategic Health Policy	Outsource	2027 for 2025 and 2026
Wellness and Disease Management	WebMD	Office of Strategic Health Policy	OIA	2027 for 2025 and 2026