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**CORRESPONDENCE MEMORANDUM**

**DATE:** August 26, 2009  
**TO:** Audit Committee Members  
**FROM:** John Vincent, Director  
Office of Internal Audit  
**SUBJECT:** Summary of Retirement Calculation System Audit Reports

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

**Background**

The Office of Internal Audit recently completed a three-year, comprehensive audit of the Retirement Calculation (Ret Calc) System. The Ret Calc System processes annuitant data and calculates retirement estimates, estimated annuities, and final annuities for virtually all Wisconsin Retirement System (WRS) participants who apply for an annuity.

The audit was conducted because data resources are vital assets of the Department of Employee Trust Funds (ETF). Therefore, maintaining the confidentiality, integrity, and availability of data is essential to ETF's operation. High levels of data security and control must be in place in order to protect the assets of the WRS and the employee benefit programs we administer.

The audit objectives and scope were developed in conjunction with the Division of Retirement Services (DRS), and included the following six components.

1. Records Disposal Authorization Review
2. Message Code (computer edits of data) Analysis
3. Synchronization of Retirement Calculation/Annuity/Wisconsin Employee Benefit System Electronic Data
4. Computer Program Maintenance Controls
5. Computer Job Control Language Controls
6. Staff Access to Electronic Data

Reviewed and approved by Rhonda Dunn, Executive Assistant, Office of the Secretary.

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Signature

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Date

Board	Mtg Date	Item #
AUD	9/17/09	3

### **Summary of Audit Findings and Conclusions**

The Office of Internal Audit has concluded that reasonable efforts have been taken by business and information technology management to protect data. However, further security and access controls are needed in the areas of: 1) management of access to personally identifiable and confidential information and 2) systems back up strategies.

We have also concluded that the findings associated with the Ret Calc System audit are not limited to that system. Because our findings discuss general system controls, they are also relevant to the other ETF systems such as the Wisconsin Employee Benefit System, Health Insurance and Complaint System, and the Benefit Payment System.

Attachment A presents the specific observations and plans of action for each component of the six-part audit. Implementation of the findings will result in continual improvement of data security and reduce the risk of identity or benefit fraud.

### **Secretary Office's Comments**

The Office of Internal Audit has discussed the Ret Calcs System audit report and findings with the Secretary's Office. The Secretary's Office agrees with the audit observations and plans of action and acknowledges that improved general controls for data access, data retention, computing standards, and documentation are needed. Additionally, higher levels of security are also necessary to provide reasonable assurance that access to personally identifiable and confidential information is effectively managed.

To ensure that general controls and security assurance extends to all Department systems, the Secretary's Office has directed the Division of Management Services and business areas, along with the Office of Internal Audit, to research best practices of information system security, role-based access, and data stewardship. The Divisions are to submit a report to the Secretary's Office by June 30, 2010, that identifies the various steps and funding that are needed to meet these goals.

### **Conclusion**

The Office of Internal Audit will monitor the implementation of the Ret Calc System audit findings and directives, and will periodically report back to the Audit Committee on the Department's progress.

I will be at the Committee meeting to discuss the reports and answer any questions.

Attachment: Summary of Observations and Plans of Action

## Retirement Calculation System Audit Summary of Observations and Plans of Action

### 1. Records Disposal Authorization (RDA)

IMPORTANCE: Proper electronic and paper records retention, supporting technology, and off-site rotation meets Wisconsin law for data accuracy, completeness, and storage requirements.

Observation Summary	Plans of Action	Completion Date
<ul style="list-style-type: none"> <li>• Confirm proper back-up and archiving.</li> <li>• Update the Disaster Recovery section in RDA 86.</li> <li>• Enter system changes made since 1998 in RDA 86.</li> <li>• Check accuracy of RDA 86 and RDA 104 after implementing Benefit Payment System.</li> </ul>	<ul style="list-style-type: none"> <li>• All divisions/offices will form workgroup to review and improve existing RDA processes.</li> </ul>	June 30, 2010

### 2. Message Code Analysis (Computer Edits of Data)

IMPORTANCE: Extensive computer edits ensure annuity estimates and final payroll calculations are accurate, complete, and compliant.

Observation Summary	Plans of Action	Completion Date
<ul style="list-style-type: none"> <li>• Analyze computer edits for efficiency, effectiveness, and documentation.</li> <li>• Determine if manual processes could be more efficient.</li> </ul>	<ul style="list-style-type: none"> <li>• Retirement Services will evaluate computer edits, manual processes, and update documentation.</li> </ul>	June 30, 2010

### 3. Synchronization of RetCalc/Annuity/Wisconsin Employee Benefit System Electronic Data

IMPORTANCE: Effective and economical data exchange between information systems occurs with consistent data and processing techniques.

Observation Summary	Plans of Action	Completion Date
<ul style="list-style-type: none"> <li>• No observations so no plans of action.</li> </ul>	<ul style="list-style-type: none"> <li>• None required</li> </ul>	None required

### 4. Computer Program Maintenance Controls

IMPORTANCE: ETF has more than 780 software programs, and processes thousands of transactions daily. Efficient and effective program maintenance controls and framework are key to managing the substantial technology investment.

Observation Summary	Plans of Action	Completion Date
<ul style="list-style-type: none"> <li>• Add, update, document, and enforce programming technical standards.</li> <li>• Complete plans of action for 1999 maintenance controls audit.</li> <li>• Adopt, document, enforce IT, security, and controls programming framework.</li> </ul>	<ul style="list-style-type: none"> <li>• Management Services-IT to develop/adhere to IT <i>best practices</i>, a project management plan will identify specific deliverables, costs/savings, resources, priorities, and fixed end date. Remedy is: a major effort, not one-time cost, needs commitment; but, could yield better systems.</li> </ul>	June 30, 2011

## Retirement Calculation System Audit Summary of Observations and Plans of Action

### 5. Computer Job Control Language (JCL) Controls

IMPORTANCE: JCL is a powerful and complicated computer language. ETF has more than 1,000 JCL members. Strong controls must protect JCL-like computer programs.

Observation Summary	Plans of Action	Completion Date
<ul style="list-style-type: none"> <li>• Write and enforce JCL policies, procedures, and standards.</li> <li>• Complete plans of action for 1999 maintenance controls audit.</li> <li>• Strengthen and enforce JCL integrity, versioning/archiving, and controls.</li> </ul>	<ul style="list-style-type: none"> <li>• Management Services-IT to develop/adhere to IT <i>best practices</i>, a project management plan will identify specific deliverables, costs/savings, resources, priorities, and fixed end date. Remedy is: a major effort, not one-time cost, needs commitment; but, could yield better systems.</li> </ul>	June 30, 2011

### 6. Staff Access to Electronic Data

IMPORTANCE: Electronic controls manage the access to electronic data. Constant privacy and security efforts are necessary to protect personally identifiable data such as social security number, birth date, banking information, etc.

Observation Summary	Plans of Action	Completion Date
<ul style="list-style-type: none"> <li>• Inquiry screens may be viewed by all ETF staff and contractors.</li> <li>• Access to 850 tables is given when ETF staff and contractors are authorized to view the 40 Ret Calc tables.</li> <li>• To view the tables, ETF staff and contractors are given access to powerful mainframe utilities with many technical functions.</li> </ul>	<p>Retirement Services and Management Services-IT noted observation requires a cost-benefit analysis and presented to the Secretary's Office for a decision.</p> <p>Policy Office supports role-based access concept. Urges annual review of User Access Request form.</p>	June 30, 2010
<ul style="list-style-type: none"> <li>• IT staff have extensive/pervasive access capabilities to Ret Calc and other systems.</li> <li>• Assignment on a need-to-know basis would strengthen access controls.</li> </ul>	<p>Management Services-IT noted:</p> <ul style="list-style-type: none"> <li>• Some corrective work is in process.</li> <li>• Some changes require a cost-benefit analysis and presented to the Secretary's Office for a decision.</li> <li>• Some IT <i>best practices</i>/documentation will be prepared along with Ret Calc program maintenance (#4) and JCL controls (#5) audits.</li> </ul> <p>Policy Office supports role-based access concept. Will review Security Policy 14E. Will research data masking and encryption, and write new policy if necessary.</p>	December 1, 2009 June 30, 2010  June 30, 2011  December 31, 2009