



STATE OF WISCONSIN
Department of Employee Trust Funds
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CORRESPONDENCE MEMORANDUM

DATE: February 9, 2010
TO: Audit Committee Members
FROM: John Vincent, Director
Office of Internal Audit
SUBJECT: 2009-2011 Audit Plan Update and Other Audit Activities

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

2009-2011 Audit Plan Update

Audit Committee members received a copy of the 2009-2011 Audit Plan at the September 17, 2009, meeting. The attached chart reflects the status of the various audits scheduled for the first year of the plan (July 1, 2009 - June 30, 2010).

Other Audit Activities

- Auditor Vacancy: Hired Claudius Lebi, who begins March 1, to replace Ron Andrews who retired in February. Claudius has an undergraduate degree in Accounting and a Masters Degree in Accountancy. Most recently he was a lead auditor with CNH America, responsible for all facets of audit engagements from planning, risk assessment, field work and providing written and oral communication of findings to the Internal Audit Vice President.
- Third-Party Administrator Audits: Helped evaluate proposals and participated in audit methodology discussions with the vendors selected to perform the contract compliance audits for the following programs.
 - Standard Plan Health
 - Pharmacy Benefits Manager
 - Life Insurance
 - Employee Reimbursement Account and Commuter Benefits
 - Income Continuation Insurance
- 2007 Comprehensive Annual Financial Report: Assisted the Office of Budget and Trust Finance by reviewing sections of the draft report.

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

Signature

Date

Board	Mtg Date	Item #
AUD	3.18.10	5B

- System Security Support: Provided temporary assistance to the Computer Science Bureau with the GA90 security process due to a staff vacancy.
- Audit Feedback Surveys: Solicited customer feedback following the completion of the Retirement Calculation System Audit and the Pandemic Plan Audit. The information will be used for process improvements and training purposes.

I will be available at the meeting for questions.

Attached: Audit Plan Status Report

DEPARTMENT OF EMPLOYEE TRUST FUNDS
FY 2010 Audit Plan
Status Report
February 9, 2010

1. Pandemic Planning

- **Scope:** This audit will risk assess the effectiveness of ETF's pandemic plan and ability to initiate, continue, and recover. Audit would include communications, human resource issues, logistical challenges, general resiliency, etc.

Status: Completed. Audit Report presented to Audit Committee March 2010.

2. Follow-up Audit of Prior Recommendations

- **Scope:** This audit will review findings from audits that were completed prior to 2009 that have not yet been addressed. The Office of Internal Audit will collaborate with the respective division/office to develop a plan to close out or complete the plans of action during FY2010.

Status: Audit staff completed an assessment of the 276 active plans of action and determined that 106 could be considered closed with the agreement from the respective division/office. In addition, 58 have been closed following division/office evaluation, leaving 112 plans of action to be reviewed by the respective division/office.

3. Dependent Eligibility Audit

- **Scope:** This audit will (1) examine procedures to control that dependents listed on benefit enrollment forms meet eligibility requirements, (2) select a statistical sample of employers to determine whether dependents listed are in compliance with eligibility requirements, and (3) research external resources to conduct employer audits regarding validity of recorded dependents.

Status: Discussions were held with University of Wisconsin Hospital and Clinics on results of its audit of health insurance enrollments with one dependent. Findings indicated that 1.2% of enrollments were in question and have been resolved. Scope definition for the dependent eligibility audit of state and local government health insurance programs will start in March.

4. Department-wide System Reconciliation

- **Scope:** This audit will compare the regular production reconciliation standards that are exclusive to Wisconsin Employee Benefit System (WEBS), Health Insurance and Complaint System (HICS), Benefit Payment System (BPS), and Retirement Calculation (Ret Calc) systems to determine the consistency of automated and manual reconciliation of essential financial and service data, codes for daily operations, system interfaces, and disaster recovery procedures.

Status: Audit planning started in February 2010.

5. Actuarial Data Verification

- **Scope:** This audit will examine the control over the data extracted from the Department records to determine whether it is correctly extracted and that the integrity of the data is maintained before transmittal to the Employee Trust Funds (ETF) actuarial consultant.

Status: Audit scheduled to begin March 2010.

6. Retirement Annuity Adjustments

- **Scope:** This audit will review the process and accuracy of adjustments to annuitant accounts and annuity payments resulting from the annual annuity (dividend) adjustments.

Status: Audit scheduled to begin during April 2010.

7. Accumulated Sick Leave Conversion Credit (ASLCC) Data Maintenance and Processing Accuracy

- **Scope:** This audit will assess the accuracy of various ASLCC data components, integrity of manual and automated processing, and reliability of existing controls. It includes examining:
 - √ Accuracy of premium amounts being charged to sick leave credit accounts.
 - √ Integrity of demographic and other key data.
 - √ Reliability of accounting processing steps, with a focus on account depletion and change history processes.
 - √ Coordination with other systems (vendor, providers, Treasury, etc.).

Status: Audit scheduled to begin during May-June 2010.