



STATE OF WISCONSIN
Department of Employee Trust Funds
Robert J. Conlin
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CORRESPONDENCE MEMORANDUM

DATE: April 11, 2013
TO: Group Insurance Board
FROM: John Vincent, Director
Office of Internal Audit
SUBJECT: Quarterly Audit Report

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

The following provides an update on Office of Internal Audit projects and advisory services completed or initiated, as well as other activities as of February 1, 2013. This information was presented to the Audit Committee of the Employee Trust Funds (ETF) Board on March 7, 2013.

2011-2013 AUDIT PLAN

1. Audit Projects – Completed

- Accumulated Sick Leave System (AcSL) Reconciliation and System Security Access Review – The Executive Summary is included in the Board material.

2. Engagements – In-Process

- On-line Employer Self-Assessment Method – Jackie Van Marter, Advanced Auditor, has been researching how this method is working for the Washington State Retirement System. The purpose is to determine if such an approach would assist ETF in monitoring how employers are administering Wisconsin Retirement System procedures and rules.
- Internal Control Plan Review – Ms. Van Marter will be conducting tests of control measures that are reported in ETF's 2013 Internal Control Plan that will be submitted to the State Controller's Office.

3. Advisory Services/Special Requests – Active/Continuing

- Compliance Audits of Third-Party Administrators – Claudius Lebi and Ms. Van Marter, Advanced Auditors, participated in the entrance conference of the compliance audit for the Employee Reimbursement/Commuter and Life Insurance benefit programs.

Reviewed and approved by Robert J. Marchant, Deputy Secretary

Electronically Signed 4/16/13

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4. Monitoring of System Development Projects

- Transformation, Integration, and Modernizing (TIM) – The attached memorandum provides information on the process to monitor risks and mitigation plans associated with the TIM initiative. Mr. Vincent and Steve Hurley (Director – Policy, Privacy & Compliance Office) make up the Risk Management Monitoring Team that will monitor the identification and mitigation of risks associated with this project. Included in the Board material is the report that provides information on the process and identifies the roles and responsibilities associated for the various aspects of risk identification, assessment, mitigation, and reporting.

2013-2015 AUDIT PLAN DEVELOPMENT

- Mr. Vincent has been meeting with management of each division/office to discuss and identify risks that are of most important concern, including those of ETF. Each risk will be rated in order to identify the most critical risks that could impede the ETF's ability to attain established business objectives. The final audit plan will be included in the August 27, 2013, Board material.

Staff will be at the Board meeting to answer any questions.

Attachment A: Cover Memorandum to Audit Committee - Accumulated Sick Leave (AcSL) Reconciliation and System Access Review (2013-02)

Attachment B: Executive Summary of the Accumulated Sick Leave (AcSL) Reconciliation and System Access Review

Attachment C: Transformation, Integration, and Modernization Risk Management Process

Attachment D: Risk Management/Assessment Roles and Responsibilities



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CORRESPONDENCE MEMORANDUM

DATE: February 6, 2013

TO: Audit Committee Members

FROM: John Vincent, Director
Office of Internal Audit

SUBJECT: **Accumulated Sick Leave (AcSL) Reconciliation and System Access Review (2013-02)**

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

Attached is the Executive Summary of the Accumulated Sick Leave (AcSL) Reconciliation and System Access Review, which was completed and submitted to the Office of the Secretary of the Department of Employee Trust Funds. The Executive Summary provides the review objective, scope, conclusions, and background. There are no process or system change recommendations in the report.

Secretary's Office Comments

We are pleased that the reconciliation feature of the new AcSL system is working accurately and efficiently, thus permitting staff to focus resources on other matters. Also, that the Department's security access process is working as designed.

I will be available at the Audit Committee meeting to answer any questions.

Attachment: Executive Summary of the Accumulated Sick Leave (AcSL) Reconciliation and System Access Review

Reviewed and approved by Robert J. Marchant, Deputy Secretary

Electronically Signed 2/13/13

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CORRESPONDENCE MEMORANDUM

February 6, 2013

Bob Conlin, Secretary
Department of Employee Trust Funds

Accumulated Sick Leave (AcSL) Reconciliation and System Access Review (2013-02)

The Office of Internal Audit submits the Executive Summary of the final report of the Accumulated Sick Leave System (AcSL) Reconciliation and System Security Access review.

The review, conducted at the direction of the Secretary's Office, was to evaluate the adequacy, efficiency, and effectiveness of the Department of Employee Trust Funds' (ETF) recently released accumulated sick leave system for reconciling member sick leave accounts and security access. The attached Executive Summary provides the objectives, scope, conclusion, and background. There are no process or system change recommendations in the report.

We concluded the only sick leave account reconciliation performed with the new AcSL system for January 2013 was complete, accurate and timely. Also, the AcSL system works as designed and all access and user profiles are appropriate and for approved and authorized employees.

We acknowledge the assistance and cooperation of the Division of Retirement Services' Benefit Services Bureau and the Division of Management Services' Bureau of Information Technologies. We greatly appreciate the time and effort we received during the review.

Respectfully submitted,

John Vincent
Director, Office of Internal Audit

Cc: Rob Marchant, Deputy Secretary



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**Accumulated Sick Leave (AcSL) Reconciliation
and System Access Review
(2013-02)**

**Executive Summary
February 2013**

Review Objective

The objective of the review was to understand the AcSL process of reconciling health insurance vendor invoices against the deductions taken from sick leave accounts and annuities, and how effective the process has been with AcSL. The review was to also learn the status of any outstanding reconciliation discrepancies based on the old system and process as of the month prior to the activation of the AcSL, as well as the appropriateness of security access levels.

Scope

The scope consisted of two parts:

1. Review reconciliation statuses of current and prior health insurance voucher payments with corresponding deductions to member sick leave accounts and annuities.
2. Review security access levels granted agency staff.

Conclusion

The Office of Internal Audit found no issues with the new Accumulated Sick Leave (AcSL) system. There were no differences between the vendor health insurance invoice payments and member accumulated sick leave accounts for the January 2013 reconciliation. It should be noted that January 2013 was the first monthly reconciliation performed using AcSL.

The Office of Internal Audit also determined that all access and user-profiles are appropriate and for approved and authorized employees.

Background

A new system, AcSL, (Accumulated Sick Leave system), a web-based application, was deployed in December 2012 to replace the aging mainframe-paper based Accumulated Sick Leave Conversion Credit (ASLCC) application. AcSL represents a substantial business and customer service improvement and meets ETF's goal of transformation, integration, and modernization to better serve our members.

The Division of Retirement Services' Benefit Services Bureau, AcSL's primary user, underscored some of the advantages of AcSL over its predecessor application to include:

- AcSL's ability to use the Benefit Payments System (BPS) demographic data, thereby eliminating the need for another silo of demographic information;
- Provides real-time account information, including status, updates, and workflow;
- Links "related accounts", such as for two married state annuitants who are using one account and keeping the other "on hold" or for the survivor of a deceased member with sick leave credits;
- Uses the monthly MyETF Benefits premium invoice to determine the appropriate premiums to deduct from an AcSL account. The direct sick leave account deduction ensures a clean reconciliation between member accounts, balances, and premiums owed to the health plans.
- Provides a full tracking history of account creation, premium deductions and adjustments so that staff, and eventually members, can see how and why the account balance has changed over time.

Within the year, the AcSL system will achieve two of ETF's goals for transformation, integration, and modernization by making the system available as an on-line feature for members to access their accounts, including a sick leave calculator. The second goal is to make AcSL available to employers to directly enter member sick leave certification information into the system.

One of the core features of AcSL is the ability to reconcile vendor health insurance premium payments against corresponding deductions from annuitants AcSL account and identify any differences for resolution. Prior to AcSL, the reconciliation process was very cumbersome and required considerable staff time, which even then resulted in irreconcilable differences from one month to the next.

Regarding system security access review, the implementation of AcSL in late November 2012 provided an opportunity to ensure that access to security roles are limited to the necessary staff to complete properly segregated job duties. The Office of Internal Audit verified the appropriateness of staff with advanced permissions and verified the disabled access of terminated employees.



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CORRESPONDENCE MEMORANDUM

DATE: February 5, 2013

TO: Audit Committee Members

FROM: John Vincent, Director
Office of Internal Audit

SUBJECT: Transformation, Integration, and Modernization Risk Management Process

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

This memorandum is to inform the Audit Committee on the already-implemented process to monitor risks and mitigation plans during the Department of Employee Trust Funds (ETF) modernization initiative.

ETF has embarked on a multi-year strategic initiative to Transform, Integrate and Modernize (TIM) our benefits administration system and business unit processes. The initiative will culminate with a new benefit administration system that will incorporate industry best practices that are reasonable expectations for Wisconsin Retirement System members and employers. Anticipated features of the new system include:

- Real-time access to account information and the ability to conduct transactions online, quickly and safely, any time.
- High-level, personalized service without delays for processing, any time.
- Ability to provide information or conduct data entry directly rather than duplicating efforts, any time.

Risk management is an integral component of any technology and system implementation, particularly one of this scale, and our initiative will incorporate a well-designed risk management plan. We recently created a Risk Management Monitoring Team that will be charged with monitoring the identification and mitigation of risks associated with this project. Steve Hurley, director of the Office of Policy, Privacy and Compliance, and I comprise the monitoring team. We have collaborated with the Project Management Office (PMO) to develop the process and to identify roles and responsibilities associated for the various aspects of risk identification, assessment, mitigation, and reporting (see attached). The scope of risk management will include all facets of the TIM initiative: data integrity; the financial management information system;

Reviewed and approved by Robert J. Marchant, Deputy Secretary

Electronically Signed 2/18/13

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data transfer; the new benefit administration system, and other elements to be identified.

I will be available at the Audit Committee meeting to answer any questions.

Attachment: Risk Management/Assessment Roles and Responsibilities



Risk Management/Assessment Roles and Responsibilities

	Body	Roles & Responsibilities
RISK MANAGEMENT MONITORING TEAM	Steering Team/ Project Sponsors	<ul style="list-style-type: none"> • Provide feedback to the PMO Director on identified risks and ratings. • Provide direction for Project Managers on prioritization of risk mitigation action. • Assign or approve ownership of risk mitigation plan development and management. • Authorize recommendations for organizational changes or resource allocations to ensure effective and efficient mitigation of significant risks.
	PMO Director	<ul style="list-style-type: none"> • Ensure project managers apply a standardized method of risk assessment. • Ensure consistent application of rating factors against project strategies and goals. • Periodically review risk register and recommend revision of ratings if needed.
	Project Managers	<ul style="list-style-type: none"> • Compile risks from the Steering Team/Project Sponsors, Core Project Team, IT Staff, BA's, Testers, Policy & Legal, Vendors, and other ETF staff. • Populate and update the project master risk register (for TIM, the master risk register includes all risks related to the data integrity, FMIS, and BAS projects). • Quantify the risks and predict the impact on the project during the project planning and execution using the approved rating matrix. • Organize risks by rating results.
	Core Project Team IT Staff & Business Analysts Testers Policy & Legal Staff Vendors All ETF Staff	<ul style="list-style-type: none"> • Identify and analyze risks, potential impact, and possible solutions during planning and project execution. • Communicate identified risks, potential impact, possible solutions and status of risks to Project Managers.
		<ul style="list-style-type: none"> • Risk Management Monitoring Team = Internal Audit Director (John Vincent) and Policy Director (Steve Hurley). • Execute a reporting and review process to ensure that risks are effectively identified and assessed and that appropriate controls and responses are in place. • Recommend changes based on monitoring of the project risk management process. • Report on the status of risk management to Steering Team/Project Sponsors.

All Levels of the Enterprise Responsible for Risk Identification