



**STATE OF WISCONSIN**  
**Department of Employee Trust Funds**  
Robert J. Conlin  
SECRETARY

801 W Badger Road  
PO Box 7931  
Madison WI 53707-7931  
  
1-877-533-5020 (toll free)  
Fax 608-267-4549  
etf.wi.gov

**CORRESPONDENCE MEMORANDUM**

**DATE:** May 1, 2014  
**TO:** Group Insurance Board  
**FROM:** John Vincent, Director  
Office of Internal Audit  
**SUBJECT:** Quarterly Audit Report

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

Below is the status summary of the 2013-2015 Audit Plan projects, advisory services completed or initiated, as well as other activities for the period July 1, 2013 through February 28, 2014. This information was presented to the Audit Committee of the Employee Trust Funds (ETF) Board on March 27, 2014. Other information from the meeting is also included in this report.

**2013-2015 AUDIT PLAN**

**1. Audit Projects – Completed**

- a. BPS Manual Transactions Audit (13-03) – Audit report was presented at the December 8, 2013 ETF Board meeting and is available upon request.
- b. **(new)** Information Privacy and Security Incidents Reports (13-08) – Audit report was presented at the March 27, 2014, ETF Board meeting and is available upon request.

**2. Engagements/Projects – In-Process**

- a. (13-04) Internal Control Plan Review
- b. (13-05) Employer Audit Program
- c. (13-09) Vendor Contract Invoice Approval Review
- d. (13-10) WEBS Access Termination Process Review
- e. Internal Audit Manual
- f. Continuous Monitoring Development Project

Reviewed and approved by Robert J. Conlin, Secretary

Electronically Signed:  
05/05/2014

Board	Mtg Date	Item #
GIB	5.21.14	6H

### 3. Advisory Services/Special Requests – Active/Continuing

- a. ETF Security Council – Mr. Vincent continues to participate in Security Council meetings, providing advice about data governance security policies (e.g., data classification, logging, auditing, and computer security incident response).
- b. Compliance Audits of Third-Party Administrators (TPA)
  - Mr. Lebi (Internal Auditor – Advanced, Office of Internal Audit) provided comments on the recommendation for extending the TPA compliance audit contract for the Wisconsin Deferred Compensation Program.
  - **(new)** Mr. Lebi reviewed and provided comments on the ERA/Commuter TPA compliance audit report provided by Wipfli.
  - **(new)** Mr. Lebi is following up with the Division of Insurance Services about a finding reported in the Life Insurance TPA compliance audit.

### 4. Monitoring of System Development Projects

- a. Transformation, Integration, and Modernization Initiative (TIM) – Mr. Vincent and Mr. Hurley (Director, Office of Policy, Privacy & Compliance) make up the Risk Management Monitoring Team for this initiative.
- b. **(new)** Review of Financial Management Information System (FMIS) Cut-over Plan – Mr. Lebi is reviewing the plan to convert data to the new system.

### 5. Special Projects

- a. External Quality Assessment Review – The Office of Internal Audit (OIA) acquired the services of an external auditor to conduct a quality assurance review (QAR). The QAR was completed and reported to the ETF Board Audit Committee at the December 5, 2013, meeting. This was the first QAR completed on the OIA function since the internal audit function was established in July 1985. The QAR was conducted with the following objectives:
  - Assess OIA's conformance to The Institute of Internal Auditors' (IIA) *International Standards for the Professional Practice of Internal Auditing*;
  - Evaluate OIA's effectiveness in carrying out its mission; and
  - Identify opportunities to enhance OIA management and work processes.

The final report presented a number of opportunities that will assist OIA to more fully conform to IIA Standards and enhance the auditing services OIA provides to ETF.

**(new)** At the request of the Audit Committee, the Internal Audit Consultant, who conducted the QAR, presented 1) an overview of the International Professional Practices Framework used by audit professionals, 2) reviewed the QAR

process, and 3) provided an assessment of the subsequent actions that OIA has taken to address the identified opportunities.

- b. **(new) Audit Management Software** – Staff has been evaluating software products to be used in audit management activities (e.g., audit planning, reports, record keeping, etc.).

## **6. (new) Legislative Audit Bureau**

- a. Discussion of 2012 Comprehensive Annual Financial Report – Carolyn Stittleburg, LAB Financial Audit Manager, and Brian Geib, of the Legislative Audit Bureau, provided remarks on the results of the 2012 financial audit LAB conducted.
- b. Annual Financial Audits – LAB educated the Audit Committee on LAB's role in conducting the annual financial audit of ETF.

## **7. Training/Association Meetings**

### a. Webinars:

- Retirement Plans and Investments (2 days) – Mr. Lebi, Ms. Van Marter (Internal Auditor – Advanced, Office of Internal Audit)
- Retirement Benefit Calculation Methods (webinar) – Ms. Malzacher
- Enterprise Risk Management (IIA webinar) – Mr. Lebi, Ms. Van Marter
- Public Sector Plan Administration/Compliance, Ethics and Trends – Mr. Lebi, Ms. Van Marter
- Business Continuity Management – Crises Management – Mr. Lebi
- Investment Basics – Mr. Lebi, Ms. Van Marter
- Writing Audit Reports That Get Results – Ms. Van Marter
- MIS Institute – Continuous Auditing – Ms. Malzacher

### Added during this reporting period:

- Continuous Assurance and Auditing: A Guidance Review – Mr. Lebi, Ms. Van Marter
- Managing P-Card Challenges – Mr. Lebi, Ms. Van Marter
- The Affordable Care Act: What Every Internal Auditor Needs to Know – Mr. Lebi, Ms. Van Marter
- Infusing Traditional Investigation with the Audit – Mr. Lebi, Ms. Van Marter
- Kick Start Internal Audit in 2014 – Mr. Lebi, Ms. Van Marter
- Regulatory Hot Topics for Financial Services – Mr. Lebi, Ms. Van Marter
- Volcker Rule: Examining the Impact – Mr. Lebi, Ms. Van Marter
- Preventing Healthcare Fraud with Data Analysis – Mr. Lebi, Ms. Van Marter
- Internal Audit's Role in Identifying Emerging Risks – Mr. Lebi, Ms. Van Marter

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