



STATE OF WISCONSIN

Department of Employee Trust Funds
Internal Audit

EXECUTIVE & BOARD AUDIT REPORT

MEMBER ACCOUNT ANALYSIS

November, 2004
2004-7A

Board	Mtg Date	Item #
ETF	12/10/2004	6a



STATE OF WISCONSIN
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Department of Employee Trust Funds

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November, 2004

Eric Stanchfield, Secretary
Department of Employee Trust Funds

Subject: Audit of Member Account Analysis
Validation of Service and Money Purchase Data -
1999 & 2000, with ACT 11 Statements of Benefit

To address the need for an independent integrity review of critical databases Internal Audit has completed a review of 1999 & 2000 Statement of Benefits (SOB) data for all accounts. The purpose of this audit was to give greater assurance that programming changes are functioning as intended and those annual data changes are authorized and accurate.

Specifically we used audit software to duplicate service and money purchase calculations. Then for several categories of data, we examined changes to SOB data that are outside expected values ("outliers"). Internal Audit is now able to complete further reviews of annual processing periods, following major changes, or on an ad hoc basis.

Attached is the one-page Executive Summary and Board Report, which introduces and describes the audit, and summarizes audit impact, risks, and action plans. We have also written a comprehensive audit report to assure ETF management and staff has sufficient details to implement plans of action for applicable risks and exposures.

We acknowledge the assistance and cooperation of ETF staff during this audit. Staff at all levels worked with us during extremely busy periods when annual processing and ACT 11 implementation were simultaneously underway. We greatly appreciate the time and effort given us.

Respectfully submitted:

Robert J. Schaefer, CPA
Director of Internal Audit

Helen Malzacher
IT Auditor

Gail Cartter, CPA
Operations Auditor

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EXECUTIVE SUMMARY and CONDENSED BOARD REPORT

Member Account Analysis Audit

I – AUDIT DESCRIPTION and OBJECTIVES: This audit reviewed Statement of Benefit (SOB) service and money purchase changes to 512,000 Wisconsin Employee Benefit System (WEBS) accounts. The audit objectives were to give assurance that annual data changes are authorized and accurate and that computer programs are functioning as intended. We tested before/after values for all accounts, calculated 1999, 2000, and ACT 11 balances. We designed reusable, automated audit methods to recalculate most service and money purchase amounts, then analyzed and resolved differences when predetermined values (*outliers*) were exceeded. By analyzing changes to all member records this audit exceeded what was needed by ETF to address Legislative Audit Bureau's concerns regarding ETF programmer security access to their own accounts. Future audit plans include full file integrity reviews of WEBS account balances.

II – AUDIT IMPACT and RISKS TO EMPLOYEE TRUST FUNDS: WEBS account values are impacted by year-to-year technology, administrative, and legislative changes. Common practice is to give staff access authority only to programs and account data needed for their duties. But there are circumstances when some staff has greater access authority, thus increasing risk to member account data. To address this risk, ETF's Security Officer heightened monitoring, and ETF developed compensating controls to limit staff and programmer access to data and programs. Still, the possibility of undetected or unauthorized access to account data continues to exist. As an added check and balance we developed automated, risk-based analyses to audit either full file, cyclical, or designated processes.

III – OPINION, TEST RESULTS, and PLANS of ACTION: **In our opinion ACT 11 and annual processing were highly accurate and appear to be the result of authorized transactions. This is commendable, especially in light of heavy department workloads that included managing multiple projects, processing and analyzing a significant volume of data, and updating a massive number of member records. It is also our opinion that this independent data analysis provides valuable assurance for the integrity of annual SOB account changes and access security technology.**

OBSERVATIONS ON MONEY VALUES	<ul style="list-style-type: none"> After a complex account outlier was identified by this audit and corrected by Trust Finance & Employer Services (DTFES), Retirement Services was able to <u>prevent</u> an incorrect payment of \$372,022. The basis for the financial tolerance of \pm\$0.10 used for all types of changes to member accounts does not appear material. However, the tolerance was not always met and exceptions to the tolerance are not explained for some SOB calculations.
PLANS of ACTION	<ul style="list-style-type: none"> ✓ Compensating controls exist for processing service and monetary transactions. Our 2001-2003 audit will examine financial tolerances in greater detail with DTFES, and we will continue to concentrate on the highest outliers.
SERVICE	<ul style="list-style-type: none"> A participant account ledger (PAL) screen contained irreconcilable service totals. Simultaneous service for some accounts was miscalculated.
PLANS of ACTION	<ul style="list-style-type: none"> ✓ DTFES and DoIT corrected the PAL data and verified that although PAL data was not correct, WEBS data <i>was</i> correct. ✓ DTFES and DRS will develop a Department policy covering simultaneous service. DTFES will refer the issue of service presentation on SOBs to the SOB workgroup.
EFFICIENCY OF DATABASE SYSTEMS	<ul style="list-style-type: none"> Adding key-entry efficiencies for some computer screens could translate into staff savings. Mapping WEBS data between various computer screens, determining data ownership, and developing testing checklists could improve accuracy of testing and overall reliability of data. Displaying more values or documentation could assist staff to validate service and money amounts. Adding a new process to record/track business process improvement ideas may more quickly lead to a project or savings.
PLANS of ACTION	<ul style="list-style-type: none"> ✓ Improvements will be evaluated on a cost/benefit basis along with other ETF priorities.
DOCUMENT TRAILS	<ul style="list-style-type: none"> Publishing imaging standards for manual and system generated documents could improve data trails.
PLANS of ACTION	<ul style="list-style-type: none"> ✓ Existing standards for QDRO documents and staple groups will be improved. ✓ Executive management will identify ownership responsibility to review the existing imaging system and coordinate future changes.

IV - SECRETARY'S OFFICE COMMENTS: We are pleased to receive the positive findings in the Member Account Analysis. The findings confirm the high level of reliability expected in maintaining member accounts. These automated audit tests are a valuable assurance to management and should be completed regularly.