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NEWS RELEASE

FOR RELEASE

August 7, 2007

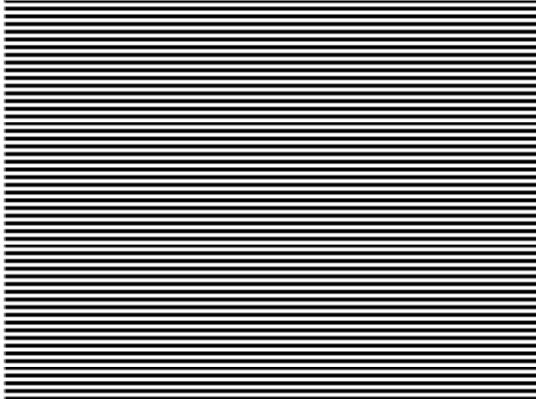
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Auditor of State David A. Vaudt today released a report on a review of selected general and application controls over the Iowa Public Employees' Retirement System (IPERS) Benefits Administration System for the period April 23, 2007 through May 16, 2007.

Vaudt recommended IPERS develop procedures to monitor the changes to member information through the data entry utility.

A copy of the report is available for review at IPERS, in the Office of Auditor of State and on the Auditor of State's website at <http://auditor.iowa.gov/reports/reports.htm>.

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**REPORT OF RECOMMENDATIONS TO THE
IOWA PUBLIC EMPLOYEES' RETIREMENT SYSTEM
ON A REVIEW OF SELECTED GENERAL
AND APPLICATION CONTROLS OVER
THE BENEFITS ADMINISTRATION SYSTEM**

APRIL 23, 2007 to MAY 16, 2007

Office of
**AUDITOR
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State Capitol Building • Des Moines, Iowa



David A. Vaudt, CPA
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May 29, 2007

To Donna Mueller, Chief Executive Officer of the
Iowa Public Employees' Retirement System:

In conjunction with our audit of the financial statements of the Iowa Public Employees' Retirement System (IPERS) for the year ended June 30, 2007, we have conducted an information technology review of selected general and application controls for the period April 23, 2007 through May 16, 2007. Our review focused on the general and application controls for the Benefits Administration System as they relate to our audit of the financial statements. The review was more limited than would be necessary to give an opinion on internal controls. Accordingly, we do not express an opinion on internal controls or ensure all deficiencies in internal controls are disclosed.

In conducting our review, we became aware of certain aspects concerning the Benefits Administration System for which we believe corrective action is necessary. As a result, we have developed a recommendation which is reported on the following pages. We believe you should be aware of this recommendation which pertains to IPERS' general and application controls over the Benefits Administration System. This recommendation has been discussed with IPERS personnel and their response to this recommendation is included in this report.

This report, a public record by law, is intended solely for the information and use of the officials and employees of the Iowa Public Employees' Retirement System, citizens of the State of Iowa and other parties to whom IPERS may report. This report is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of IPERS during the course of our review. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience. Individuals who participated in our review are listed on page 6 and they are available to discuss these matters with you.

DAVID A. VAUDT, CPA
Auditor of State

WARREN G. JENKINS, CPA
Chief Deputy Auditor of State

cc: Honorable Chester J. Culver, Governor
Charles J. Krogmeier, Director, Department of Management
Dennis C. Prouty, Director, Legislative Services Agency

April 23, 2007 through May 16, 2007

Benefits Administration System General and Application Controls

A. Background

The Benefits Administration System at the Iowa Public Employees' Retirement System (IPERS) is used to collect and manage member and employer information so benefits can be properly disbursed. Our review focused on the member application and benefit payment processing portions of the Benefits Administration System.

B. Scope and Methodology

In conjunction with our audit of the financial statements of IPERS, we reviewed selected aspects of the general and application controls in place over the Benefits Administration System for the period April 23 through May 16, 2007. Specifically, we reviewed the general controls: access controls and segregation of duties and the application controls: input, processing and output controls for pension applications and payments. We interviewed staff of IPERS and we reviewed IPERS' policies and procedures. To assess the level of compliance with identified controls, we performed selected tests.

We planned and performed our review to adequately assess those IPERS operations within the scope of our review. We developed an understanding of IPERS' internal controls relevant to the operations included in the scope of our review. We believe our review provides a reasonable basis for our recommendations.

We used a risk-based approach when selecting activities to be reviewed. We focused our review efforts on those activities we identified through a preliminary survey as having the greatest probability for needing improvement. Consequently, by design, we used our finite review resources to identify where and how improvements can be made. Thus, we devoted little effort to reviewing operations that may be relatively efficient or effective. As a result, we prepare our review reports on an "exception basis." This report, therefore, highlights those areas needing improvement and does not address activities that may be functioning properly.

C. Results of the Review

As a result of our review, we found certain controls can be strengthened to further ensure the reliability of financial information. Our recommendation, along with IPERS' response, is detailed in the remainder of this report.

General Controls

Electronic Data Processing Controls: Data Entry Utility – Certain individuals within IPERS have the ability to access a data entry utility (DEU) menu to make specific changes to information contained in member files. The purpose of the DEU is to make corrections to or update information which has been entered. The DEU records a date stamp and the login identification of the individual making the correction.

Although support and authorization is initiated prior to the change, IPERS does not have a formal process which requires monitoring access through the DEU or reviewing changes made to member files to determine the changes are done properly.

Recommendation – IPERS can strengthen access controls by developing a formal process for monitoring access and changes made through the DEU. The changes should be periodically reviewed for propriety by supervisory personnel.

Report of Recommendations to the Iowa Public Employees' Retirement System

April 23, 2007 through May 16, 2007

Response – The data entry utility (DEU) is a legacy computer application used as a last resort tool to make changes in the benefits administration system when there is no other method available through which to make the change. Use of the entire legacy system, including the DEU, is scheduled to be discontinued in FY09 when a new benefits administration system is put into production.

Initial access rights to the DEU menu are controlled and documented through a supervisory approval process. In response to the above recommendation, IPERS will formalize the DEU menu access authorization process. In addition, IPERS will implement a process to monitor the universe of staff authorized to use the DEU menu and validate their continuing need for access to the DEU menu.

Similarly, in response to the above recommendation, IPERS will formalize the current process for actual use of the DEU menu to change data. Staff with DEU menu access will be provided training on this formal procedure. As a component of the current informal process the staff member requesting the data change is required to validate the change was actually made by the staff member authorized to use the DEU menu. IPERS will also initiate a periodic management review of the changes.

Conclusion – Response accepted.

Application Controls

No recommendations were noted in our review of application controls for the IPERS Benefits Administration System.

Report of Recommendations to the Iowa Public Employees' Retirement System

April 23, 2007 through May 16, 2007

Staff:

Questions or requests for further assistance should be directed to:

Erwin L. Erickson, CPA, Director
Lesley R. Geary, CPA, Senior Auditor II
Andrew E. Nielsen, CPA, Deputy Auditor of State

Other individuals who participated on this review include:

Steven O. Fuqua, CPA, Senior Auditor II
Donald J. Lewis, Staff Auditor
Michael R. Field, Assistant Auditor