STATE OF WISCONSIN
Department of Employee Trust Funds
David A. Stella
SECRETARY

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CORRESPONDENCE MEMORANDUM

DATE: November 8, 2011

TO: Audit Committee Members

FROM: John Vincent, Director
Office of Internal Audit

SUBJECT: 2011-2013 Internal Audit Plan Status

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

The following is a summary outlining the 2011-2013 Audit Plan projects that have been completed as well as the work that remains as of October 31, 2011.

1. Audit Projects: Completed

a. Internal Controls Review (2011-01): Report was presented at the September 2011 Audit Committee meeting.
b. Annual Annuity Adjustments Audit (2011-02): Report to be presented at the December 2011 Audit Committee meeting.
c. Retirement, Death, Disability, and Service Purchase Audit (2011-03): Report to be presented at the December 2011 Audit Committee meeting.
d. Proprietary Software Audit (2011-04): Report to be presented at the December 2011 Audit Committee meeting.
e. Third-Party Administrator (TPA) Review: Internal Audit was involved in the following TPA activities.

   i. Wisconsin Deferred Compensation: Reviewed draft compliance audit report and contract amendment language.
   ii. Pharmacy Benefit Manager: Reviewed draft compliance audit report and participated in exit conference with vendor.

f. Quarterly progress meetings with division/office leadership.

Reviewed and approved by Rhonda Dunn, Executive Assistant, Office of the Secretary.
Rhonda Dunn 11-18-11
Signature Date

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2. Audit Projects: In-Process

a. Dependent Eligibility Verification Review: Attached status report was discussed at the November 8, 2011, Group Insurance Board meeting.
b. Benefit Payment System Reconciliation Audit: Field work in progress. Report will be provided to the Audit Committee in early 2012.

3. Audit Projects: FY2012 Projects Yet to be Started

a. myETF Benefits Audit
b. Accumulated Sick Leave Conversion Credit Data Maintenance and Processing Accuracy Audit
c. Retirement System File Maintenance Accuracy Audit
d. Actuarial File Testing Audit (Active Lives data)
e. Internal Control Plan Review
f. Development of continuous monitoring application.

4. Data Governance Project

The Data Governance Project is to institutionalize processes, policies, standards, and automation required to measure, manage, and ensure data quality. This Project is the foundation of the Department's 2010-2015 Strategic Plan object to offer self-service tools to Wisconsin Retirement System members and employers. As such, Internal Audit staff continues to participate on the following committees or project teams.

John Vincent: Data Governance (DG) Steering Committee, Security Council
Helen Malzacher: DG Pilot Project, DG Data Investigation Team
Claudius Lebi: DG Operations Team

5. Staffing: Approval has been received to recruit an additional Auditor position.

I will be available at the meeting to answer any questions you may have.

Attachment: Dependent Eligibility Verification Memo

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CORRESPONDENCE MEMORANDUM

DATE: November 7, 2011

TO: Group Insurance Board

FROM: John Vincent, Director
Office of Internal Audit

SUBJECT: Dependent Eligibility Verification Review

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

The following is the status report on the Department's random sample Dependent Eligibility Verification (DEV) project, which was initiated last April.

Earlier this year a random sample of 1,000 covered dependents were selected to determine if they are eligible for coverage under the Group Health Insurance program. At the August 23 Group Insurance Board (GIB) meeting, we reported that 91 of the 1,000 dependents were under review by the Division of Insurance Services (DIS). The following summarizes the results of that review:

- DIS continued to receive responses and documentation resulting from prior correspondence with these subscribers. For example, a number of subscribers tried to use this as an opportunity to drop their dependents mid-year by either not responding to the request for documentation or communicating that they wanted the dependent removed. DIS informed these subscribers that this is not an opportunity to drop their dependent and that they must provide documentation.

- In early September, a certified/return receipt letter was sent to 35 subscribers who had either partially responded or had not responded at all. We advised the subscriber that the dependent's coverage would be suspended effective September 30, 2011, if required documentation was not received by that date. The Department would also reactivate coverage, effective October 1, 2011, if the documents were received after that date.

- After October 1, DIS sent letters to the remaining 18 subscribers who failed to respond completely, informing them that their health insurance contracts had been suspended effective September 30, 2011. DIS distributed 16 of the letters to the subscriber's Human Resources departments, with instructions to hand-deliver the

Reviewed and approved by Rhonda Dunn, Executive Assistant.
Rhonda Dunn 11-7-11
Signature Date

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letter to the subscriber. Two letters were mailed certified/return receipt because the subscribers were a COBRA continuant and an annuitant.

NOTE: The suspension of coverage included the subscriber and all enrolled dependents of the subscriber's contract. DIS took this approach based on its contractual authority under uniform benefits. Upon receipt of documentation requested by ETF regarding the subscriber's dependents, coverage will be reinstated effective October 1, 2011 for the subscriber and all enrolled dependents.

Of the 91 dependents:

- Eighty-two were determined eligible for coverage.
- Five were determined ineligible for coverage. Four of these cases were the result of a divorce and the other was deemed ineligible because the subscriber had previously terminated coverage and was no longer employed by a participating employer.
- Four are unresolved cases.

Next Step

DIS will continue evaluating the responses to the October mailing. A final report and recommendations will be provided to the GIB on February 7, 2012.

I will be available at the Board meeting to answer questions.