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CORRESPONDENCE MEMORANDUM

DATE: June 10, 2014

TO: Audit Committee Members

FROM: Tara Pray, Manager of Alternate Health Plans
Mary Statz, Director, Health Benefits & Insurance Plans Bureau

SUBJECT: Audit of the Employee Reimbursement Accounts and Commuter Benefits Programs

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

The Department of Employee Trust Funds retained Wipfli, LLP to conduct an audit of the Wisconsin Employee Reimbursement Accounts (ERA) and the Commuter Benefits programs for the plan years ended December 31, 2009, 2010, 2011, and the six months ended June 30, 2012. The audit was designed to assess compliance with the contract as well as all applicable state statutes and federal regulations.

The administration of the ERA and Commuter Benefits programs was performed by Fringe Benefits Management Company (FBMC) through December 1, 2010, and thereafter by WageWorks, following its acquisition of FBMC's tax-favored business and COBRA/Retiree Administration contracts. (Hereafter, FBMC and WageWorks will be collectively referred to as 'the TPA', which stands for third party administrator.)

The audit included inquiries, observations, and/or tests of processes and procedures used by the TPA to administer the programs.

The audit revealed several areas of concern and staff are addressing these with the TPA. The concerns are summarized in the Executive Summary on page i of the attached report. The TPA's responses to the audit are included in this version of the audit report. In this memo, we highlight the issues that arose as a result of this audit, along with the actions taken to address them with the TPA. Staff have weekly conference calls with the TPA to discuss progress resolving these issues. Ongoing efforts are also described below.

Reviewed and approved by Lisa Ellinger, Administrator,
Division of Insurance Services

Board	Mtg Date	Item #
AUD	6.26.14	4D

A. Employee Reimbursement Account Annual Report Data Analysis (see attachment page 5)

ETF contribution amounts for the ERA program, posted by the TPA to individual participant accounts and reflected in the annual report, were not reconciled to actual payroll contributions withheld from employees' paychecks. This resulted in differences within the TPA's system and the annual report as well as between the TPA annual report and the ETF records for 2009 – 2011.

Wipfli Recommendation: More timely review of variances, e.g., quarterly comparisons.

TPA Response: The annual report reflects a point in time and does not include adjustments occurring after that point in time. The variances are simply a matter of timing, and system limitations prohibit posting adjustments to any year other than the current year.

ETF Response: ETF agrees with the recommendation and the Office of Trust Finance will begin more timely reconciliations.

ETF recognizes three issues here:

1. The annual report represents a snapshot in time and is not updated by the TPA to reflect timing differences or other adjustments made after the release of the report. One timing difference identified is the posting of payroll files. ETF is working with the payroll processing centers to include the pay date in all files sent to the TPA.
2. The TPA has system limitations. Historical items can only post to the current year, which can reflect incorrect program year information on reports.
3. ETF has been working with the TPA for several months to develop a monthly report, but the drafts provided by the TPA to date have not been sufficient. One insufficiency discovered in late 2013 was identifying that the ETF monthly report did not account for several key pieces of information, such as rejected records or files without a location code. ETF is working with the TPA to build a report that meets ETF's needs. Staff continues to work with the TPA to finalize the report and is guardedly optimistic that this will be finalized by July 2014. As soon as the report is finalized, ETF will perform an historical reconciliation as well as reconcile monthly going-forward.

B. Review of Forfeitures (see page 8)

There are variances in calculating program year 2011 forfeitures.

Wipfli Recommendation: Program year forfeiture accounts should be reconciled more timely.

TPA Response: Refer to response above. Note that 2011 plan year reporting has been closed.

ETF Response: ETF agrees with the recommendation and continues to work with the TPA on forfeiture reconciliation for 2012 and 2013.

C. Change-in-Status Testing (see page 10)

ERA elections can be changed during a plan year if there is a qualifying life event.

Wipfli Recommendation: Review procedures to ensure all forms are imaged and saved to support the change-in-status transaction.

TPA Response: The necessary procedures to scan, index, and retain forms and documentation have been implemented.

ETF Response: ETF agrees with the recommendation and is pleased the TPA has implemented these procedures.

D. Commuter Benefits Program Annual Report Data Analysis (see page 18)

There are differences between claims paid data and the TPA annual report, as well as between ETF records and the TPA annual report.

Wipfli Recommendation: ETF should consider the differences and decide if more analysis is needed.

TPA Response: Claims data is made up of “Reimburse Me Parking/Transit” program claims, plus orders fulfilled by a subcontractor for the “Transit and Direct Pay Parking” program. Data was not available from the subcontractor for January through March 2009.

ETF Response: ETF determined more analysis was not needed and has closed reporting for 2011 and prior years. ETF is working with the TPA on a larger, more comprehensive reconciliation for subsequent years. ETF requires the new ETF report as detailed above in order to complete the reconciliation. As mentioned earlier, significant progress has been made after diligent weekly calls with the TPA and several meetings between the TPA and ETF’s Office of Trust Finance.

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

Attachment A: Wipfli’s Report with TPA Response