



State of Wisconsin
Department of Employee Trust Funds
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Correspondence Memorandum

Date: May 26, 2016
To: Audit Committee Members
From: Yikchau Sze, Director
Office of Internal Audit
Subject: 2015-2017 Audit Plan Status

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

The following is a summary of the audit engagements completed or in progress and the status of other Office of Internal Audit (OIA) activities since March 1, 2016 to the report date of May 26, 2016.

Audit Engagements – Completed

- Full File Compare (A process comparing health insurance enrollment data between ETF's records and health plans' records)

Audit Engagements – In-Progress

- Tax Reporting and Tax Payment – Initial planning
- Retirement Benefits (Pension Benefit) – Fieldwork has been completed, and audit report will be issued shortly

Other OIA Activities

- Presented decision paper, "Purchase Fraud, Ethics and Compliance Services" to the Leadership Team and received approval; working with procurement to prepare the simplified bid
- Established Quality Assurance and Improvement program to comply with the International Standards for Professional Practice of Internal Auditing promulgated by the Institute of Internal Auditors

Reviewed and approved by Robert J. Conlin, Secretary

Electronically Signed 6/8/16

Board	Mtg Date	Item #
AUD	6.23.16	5

- Working with ETF's Bureau of Information Technology Services and third party vendor to define the Scope of Work for the security audit of Business Administration System
- Continued involvement in the Transformation, Integration and Modernization effort:
 - Risk management monitoring
 - Change management discussion
 - Security policy sub-committee discussion
- Tracking open audit issues and report status of the open issues to the Audit Committee quarterly through Open Audit Issue Report (see attached)
- Attended following major trainings:
 - Analyzing and Improving Business Process: Jackie Van Marter and Rick Onasch attended the two-day, 16-CPE seminar offered by the Institute of Internal Auditors-Madison Chapter in April
 - Associate Public Pension Auditors Conference – Yikchau attended the conference in Chicago in April
- Recruitment for the open Auditor-Advanced position is underway – interview will be scheduled in early June

I will be available at the Audit Committee meeting to answer any questions.

Attachment: Open Issues Report



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Date: May 26, 2016
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Subject: Open Audit Issues Report

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Office of Internal Audit (OIA) updates the Open Audit Issues report quarterly based on status reported by management. Management is responsible for timely completion of actions that address audit findings. OIA is responsible for tracking progress reported by management and formally accept the closure of Internal Audit findings. The formal acceptance is achieved by performing follow-up audits to confirm the completion of corrective actions that are in place for one year.

The status of audit findings and the follow-up process will be discussed at the Audit Committee meeting to ensure that current process is sufficient in meeting the need of the Audit Committee.

Attachment: Open Audit Issues Report

Open Audit Issues Report as of May 2016

Audit Findings - Internal Audit

Audit	Report Date	Recommendations	Management Responses	Responsible Staff	Estimated Completion Date	Status
Mobile Computing Device Audit - Part I, Laptops and Tablets	November 2014	Establish and document asset management processes	Update and improve IT assets tracking; develop asset tracking policy; Utilize IT Asset Management software provided by STAR	Steven Mueller	March, 2016	Closed
		Enhance controls over laptops dedicated for training	Inventory laptops dedicated for training; register loaner mobile devices		Nov, 2014	Closed
		Enhance security measure	ETF will leverage DET's security measure after completing ETF's infrastructure re-hosting project at DET in 2016		Dec, 2016	Open
Mobile Computing Device Audit – Part II, Removable Media Security	January 2015	USB Port Functionality	Re-advertise ETF-Issued Computing Device Policy with potential of revisiting the issue after completion of the infrastructure re-hosting project at DET	Steven Mueller	Dec, 2016	In process
		Compliance with Non-ETF Issued Personal Computing Device Policy	Train a second technician on the process; review and update procedures		April, 2014	Closed
Income Continuation Insurance (ICI) Enrollment and Premium Reporting	August 2015	To be followed up by the Division of Retirement Services:	See Action Plan in the report	Deb Roemer and Kathy Wienkes		
		- Enhance Third Party Administrator (TPA) management			March, 2017	In process
		- Initiate external monitoring by having Wipfli include the enrollment process as part of its engagement			Feb, 2016	Closed
		- Implement a monitoring procedure for evidence of insurability (EOI) applications to ensure timely follow up			To Be Determined	Open
		- Apply the same rules for determining the coverage effective date across all enrollment opportunities			To Be Determined	Open
		- Provide additional employer training and update our ICI employer administration manuals			Manuals: March 2016 Procedures: July 2016	Closed In process
		- Improve communication between the Disability Program Section (DPS) and Employer Services Section (ESS)			Ongoing	In process
		- Establish an enrollment database			Jan, 2018	In process

Open Audit Issues Report as of May 2016

Audit Findings - Internal Audit

Audit	Report Date	Recommendations	Management Responses	Responsible Staff	Estimated Completion Date	Status
Income Continuation Insurance (ICI) Enrollment and Premium Reporting	August 2015	To be followed-up by Division of Trust Finance: - Add an adjustment column to the Monthly Premium Report - Foot and cross-foot the Monthly Premium Reports - Begin plans for the foundation of the BAS database needed by 1/1/18 - Calculate all premiums, employee and employer, uniformly (will happen when ETF begins invoicing employers with roll-out 2 of the BAS project planned for 1/1/18)	See Action Plan in the report	Bob Willett	May, 2016 September, 2015 Jan, 2018 Jan, 2018	Closed Closed In process Open
Health Insurance Eligibility - Dependent Spouses & Domestic Partners	September, 2015	ETF proactively identify divorced health care participants by enhancing internal communications when a form is received that may indicate divorce or termination of a domestic partnership (DP) information	Division of the Retirement Service has taken the following actions (pls ref to the report for the original responses): Added a component to its Domestic Relations Order procedure to have Member Services Bureau staff send a job to the Employer Services Section after they review WRS related divorce documents to make sure the changes are made to the health insurance coverage also. DRS added content to ET-4928, the form that ETF sends to acknowledge the receipt of a Domestic Relations Order, stating that it is the member's responsibility after divorce or a termination of a DP to notify their employer so their former spouse or domestic partner can be removed from their insurance coverage Inquired about the feasibility of using queries from the Wisconsin Circuit Courts Access (WCCA) System for data cross checking and concluded that the use of WCCA does not appear to be practical.	Kathy Wienkes - ESS	Oct, 2017	Closed (as of Feb 2016)

Open Audit Issues Report as of May 2016

Audit Findings - Internal Audit

Audit	Report Date	Recommendations	Management Responses	Responsible Staff	Estimated Completion Date	Status
<p>Health Insurance Eligibility - Dependent Spouses & Domestic Partners</p>	<p>September, 2015</p>	<p>ETF improve communication, education, and increase awareness of compliance requirements</p>	<p>The Employer Services Section (ESS) will ensure this topic is included in the 2017 IYC open enrollment period materials.</p> <p>Additionally, ESS will work on getting this topic highlighted in all future communications on the ETF website. This will include revisions to both the state and local health insurance employer administration manuals.</p> <p>the Office of Strategic Health Policy (OSHP) and ESS plan to work with DOA for potential work rule mandate of timely coverage removal upon divorce or there qualifying event. OSHP also plans on reviewing and potentially modifying both the state and local health insurance contracts with health providers to provide that timely notice of qualifying event must be given to the employers.</p>	<p>Kathy Wienkes - ESS</p> <p>Lisa Ellinger - OSHP</p>	<p>Nov, 2017</p> <p>Nov, 2017</p>	<p>Open</p> <p>Closed</p> <p>Open</p>
		<p>ETF enhance communication and provide clear instructions to employers to improve COBRA compliance</p>	<p>ESS is currently providing training through webinars on COBRA compliance to employers. However, ESS plans to cover this topic in greater detail in the "Health Insurance Eligibility" and "MyETF Benefits" employer webinars. ESS plans to continue these employer webinars year round.</p> <p>In addition, ESS plans to update both the state and local employer health insurance manuals in order to cover the employer requirements on this topic in greater detail.</p>	<p>Kathy Wienkes - ESS</p>	<p>Ongoing</p> <p>Jan, 2016</p> <p>Nov. 2015</p>	<p>In process</p> <p>Local manual Closed</p> <p>State manual Closed (Chapter 5, Section 505)</p>

Open Audit Issues Report as of May 2016

Audit Findings - Internal Audit

Audit	Report Date	Recommendations	Management Responses	Responsible Staff	Estimated Completion Date	Status
WRS Employer Reporting	March, 2016	<p>To be followed-up by DRS:</p> <ul style="list-style-type: none"> - Expand the Employer Compliance Review Program to include: hours, payroll screen shots, sample testing ineligible employees on an employer's payroll - Follow-up with employers who routinely report and/or pay late and provide education and/or training - Educate Employers on sending PII information securely - Collect WRS earnings and hours at the employee level more frequently than on an annual basis <p>To be followed-up by DTF:</p> <p>Charge interest when employers do not report earnings and contributions timely.</p>	<p>DRS will broaden its review to include a sampling to verify employee hours and ineligible employees. In addition, DRS will include more samples of payroll screen shots for applicable employers.</p> <p>DRS ESS case manager will follow-up with the employers identified by this audit, the monthly remittance report tracking sheet and staff. The follow-up will serve as an opportunity to educate the employers and answer any questions they have</p> <p>DRS will work with OPPC to communicate privacy risks and tips to employers</p> <p>Will be in place with BAS Rollout 2</p> <p>Will be in place with BAS Rollout 2</p>	<p>Jeff Miller</p> <p>Kathy Wienkes</p> <p>Matt Stohr</p> <p>Matt Stohr</p> <p>Laura Vang</p>	<p>Second Quarter of 2016</p> <p>July, 2016</p> <p>Next 2016 Employer Bulletin Jan, 2018</p> <p>Jan, 2018</p>	<p>Closed</p> <p>In process</p> <p>In process</p> <p>Open</p> <p>Open</p>

Open Audit Issues Report as of May 2016

Audit Findings - External Audit

Audit	Reporting Year	Audit Findings	Recommendations	Management Responses	Responsible Staff	Status
Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters	As of December 31, 2013	A misstatement in the financial statements that was corrected prior to publication. This misstatement involved health insurance premiums for January 2014 coverage which were paid to insurers on the last day of 2013. The prepayment was reported only in the active member health insurance statement rather than being allocated between active members, state retirees and local retirees. This omission resulted in a material misstatement of the state retiree and local retiree programs.	The Department develop and implement procedures to improve the oversight of its financial reporting process.	ETF will put in place appropriate procedures to ensure the proper allocation of these expenses in the future	Bob Willett	Closed
Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters	As of December 31, 2014	Several errors that required adjustment to the financial statements and notes, and were not detected and corrected by the Department as part of the review process. Details see LAB Report 16-1	The Department take steps to assess its current process for financial reporting and implement additional or changed processes that would prevent, or detect in a timely manner, errors in the financial statements and notes.	ETF has obtained an outside consultant to work with staff to identify gaps in existing controls, and necessary process changes. Additional modifications will include: enhancing the oversight of financial statement preparation by incorporating project management techniques throughout the process; providing additional training for staff taking on new assignments in financial reporting; and improving the documentation of financial reporting procedures.	Bob Willett	In the process of implementing CLA's recommendations