Correspondence Memorandum

Date: November 17, 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 from September 2, 2016 through November 17, 2016.

Audit Engagements – Completed

- OFAC Compliance Audit

Audit Engagements – In-Progress

- Tax Reporting and Tax Payment – Final review

- Death Benefit Calculations and Distributions – Fieldwork in progress

Other OIA Activities

- Assisted Office of Strategical Health Policy in engaging Wipfli, the independent accounting firm to review benefit programs administrated by Total Administrative Services Corporation (TASC)

- Provided consulting service to the Division of Trust Finance to improve the accounting processes relating to TASC

- Provided advisory service to the Wisconsin Deferred Compensation program by reviewing Wipfli's contract compliance audit report and Empower Retirement's most recent SSAE 16 report

Reviewed and approved by Robert J. Conlin, Secretary

Electronically Signed 11/28/16

Board	Mtg Date	Item #
AUD	12.15.16	6

- Continued involvement in the Penetration Testing, Vulnerability Scan and User Authorization Assessment of the Business Administration System conducted by AT&T

- Tracked open audit issues and report status of the open issues to the Audit Committee quarterly through the Open Audit Issue Report (see attached)

- Attended the following conference/training:
  - TeamMate User Forum - Yikchau Sze attended the conference in September and obtained 20 CPE credits
  - Association of Public Pension Fund Auditors Conference - Amelia Slaney attended the conference in November and obtained 16 CPE credits

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

Attachment: Open Audit Issues Memo and Detailed Report

801 W Badger Road
PO Box 7931
Madison WI 53707-7931

1-877-533-5020 (toll free)
Fax 608-267-4549
etf.wi.gov

State of Wisconsin
Department of Employee Trust Funds
Robert J. Conlin
SECRETARY

Correspondence Memorandum

Date: November 17, 2016

To: Audit Committee Members

From: Yikchau Sze, Director
              Office of Internal Audit

Subject: Open Audit Issues Report

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

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.

Open Audit Issues Summary

Audit	Management Corrective Actions					OIA Follow-up
Office of Internal Audit	Closed	In Progress	To Be Implemented	Total	Over Due	Acceptance Audit
Mobile Computing Device Audit	3	2	0	5	0	N/A
Income Continuation Insurance	5	5	1	11	0	N/A
Health Insurance Eligibility	5	1	1	7	0	N/A
WRS Employer Reporting	3	0	2	5	0	N/A
Full File Compare	3	1	0	4	0	N/A
	19	9	4	32	0	

Compared with last quarter's status report, "To Be Implemented" was reduced by two. "Closed" was increased by two.

Attachment: Open Audit Issues Detailed Report

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 and after DET finish its pilot project with DOR in April 2017		July, 2017	In progress
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	July, 2017	In progress
		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 progress
		- 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			Jan, 2017	In progress
		- Apply the same rules for determining the coverage effective date across all enrollment opportunities			April, 2017	In progress
		- Provide additional employer training and update ICI employer administration manuals			Manuals: March 2016	Closed
					Procedures: July 2016	Closed
		- Improve communication between the Disability Program Section (DPS) and Employer Services Section (ESS)			Nov, 2016	Closed
		- Establish an enrollment database			Jan, 2018	In progress

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 progress 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 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)

Audit	Report Date	Recommendations	Management Responses	Responsible Staff	Estimated Completion Date	Status
Health Insurance Eligibility - Dependent Spouses & Domestic Partners	September, 2015	ETF improve communication, education, and increase awareness of compliance requirements	The Employer Services Section (ESS) will ensure this topic is included in the 2017 IYC open enrollment period materials.	Kathy Wienkes - ESS	Nov, 2016	Closed
			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.			Closed
			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.	Lisa Ellinger - OSHP	Nov, 2017	Open
		ETF enhance communication and provide clear instructions to employers to improve COBRA compliance	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.	Kathy Wienkes - ESS	Oct, 2016	Closed
			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.		Jan, 2016 Nov. 2015	Local manual Closed State manual Closed (Chapter 5, Section 505)

Audit	Report Date	Recommendations	Management Responses	Responsible Staff	Estimated Completion Date	Status
WRS Employer Reporting	March, 2016	To be followed-up by DRS: - Expand the Employer Compliance Review Program to include: hours, payroll screen shots, sample testing ineligible employees on an employer's payroll	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.	Jeff Miller	Second Quarter of 2016	Closed
		- Follow-up with employers who routinely report and/or pay late and provide education and/or training	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	Kathy Wienkes	July, 2016	Closed
		- Educate Employers on sending PII information securely	DRS will work with OPPC to communicate privacy risks and tips to employers	Matt Stohr	Next 2016 Employer Bulletin	Closed (Sept 2016)
		- Collect WRS earnings and hours at the employee level more frequently than on an annual basis	Will be in place with BAS Rollout 2	Matt Stohr	Jan, 2018	Open
		To be followed-up by DTF: Charge interest when employers do not report earnings and contributions timely.	Will be in place with BAS Rollout 2	Laura Vang	Jan, 2018	Open
Full File Compare Process	May, 2016	To be followed-up by DRS: - Improve management oversight; create detailed procedures and work manual; define and standardize communication protocols with health plans	Management agreed with the recommedentations and will implement corrective actions based on the resource availability and priority.	Jaymee Meier	Jan 2017	Closed
		- Evaluate the data being compared by the FFC to align the reconciliation effort with the objective of the process; review the data being captured by MEBS to ensure only accurate and relevant data will be migrated to BAS		Matt Stohr	July 2017	In progress
		- Communicate and coordinate with the health plans for a synchronized and prioritized approach to eliminate the accumulative effect of delayed FFC exception resolution		Matt Stohr	Nov 2016	Closed
		To be followed-up by BITS: - Monitor account access activities of the secured FTP site and disable inactive accounts	Current inactive accounts were disabled; monitoring would be implemented in July	Mark Robinson	Aug 2016	Closed