



State of Wisconsin
Department of Employee Trust Funds
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Correspondence Memorandum

Date: November 17, 2017
To: Audit Committee
From: Yikchau Sze, Director
Office of Internal Audit
Subject: 2017-2019 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 August 5, 2017 through November 17, 2017.

Audit Engagements – Completed

- Invoice Processing

Audit Engagements – In Progress

- Cash Receipt and Disbursement – Fieldwork
- HIPPA Compliance - Fieldwork

Other OIA Activities

- Identified and developed audit process flow for third party administrator audits
- Coordinated and assisted with the review of Service Organization Control reports
- Coordinated fraud hotline extension effort
- Participated in the myETF audit and security requirement review

Reviewed and approved by Robert J. Conlin, Secretary

Electronically Signed 11/27/17

Board	Mtg Date	Item #
AUD	12.14.17	5

- Performed third party administrator audit oversight by
 - reviewing draft audit report of Wisconsin Physicians Service Insurance Corporation and attending the audit exit meeting
 - attending kickoff meeting of contract compliance audit of the Wisconsin Deferred Compensation program
 - assisting in defining audit scope for the contract compliance audit of Income Continuation Insurance and Long Term Disability Insurance
- Conducted Audit Committee Survey
- Performed self-assessment on the quality of internal audit activities
- Presented to the Group Insurance Board on the audit results of Total Administrative Services Corporation
- Tracked and reported the status of open audit issues to the Audit Committee through the quarterly Open Audit Issue Report (see attached)
- Attended Association of Public Pension Funds Auditors Conference in Sacramento, CA

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

Attachment: Open Audit Issues Memo and Detailed Report



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Correspondence Memorandum

Date: November 17, 2017

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 Office of Internal Audit	Management Corrective Actions				Total	OIA Follow-up Acceptance Audit
	Closed	In Progress	Open	Over Due		
Mobile Computing Device Audit	4	1	0	0	5	N/A
Income Continuation Insurance	6	2	2	1	11	N/A
Health Insurance Eligibility	6	0	1	1	8	N/A
WRS Employer Reporting	3	0	2	0	5	N/A
Full File Compare	3	1	0	0	4	N/A
OFAC Compliance	1	1	0	0	2	N/A
Tax Reporting and Tax Payment	2	0	0	0	2	N/A
TASC *						
	25	5	5	2	37	

Compared with last quarter's status report, one more corrective action item was closed and one more became overdue.

* The status of TASC audit findings will be provided at the Committee meeting by Jessie Rossner, program manager of Employee Reimbursement Accounts & Health at ETF.

Attachment: Open Audit Issues Detailed Report

Open Audit Issues Report as of November 2017

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		November 2014	Closed		
		Enhance security measures	ETF will leverage DET's security measures after completing ETF's infrastructure re-hosting project at DET and after DET finishes its pilot project with DOR in April 2017		August 2017	Closed		
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	Moved out to July 2018	In progress (On hold)		
		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 (DRS):			Deb Roemer and Kathy Wienkes			
		Enhance Third Party Administrator (TPA) management	See Action Plan in the report	August 2017		Closed		
		Initiate external monitoring by having Wipfli include the enrollment process as part of its engagement		February 2016		Closed		
		Implement a monitoring procedure for evidence of insurability (EOI) applications to ensure timely follow up		January 2017		Overdue		
		Apply the same rules for determining the coverage effective date across all enrollment opportunities		Moved out to Feb 2018		In progress (on hold)		
		Provide additional employer training and update ICI employer administration manuals		Manuals: March 2016 Procedures: July 2016		Closed Closed		
		Improve communication between the Disability Program Section (DPS) and Employer Services Section (ESS)		November 2016		Closed		
		Establish an enrollment database		January 2018		Open		
		To be followed-up by Division of Trust Finance (DTF):						
		Add an adjustment column to the Monthly Premium Report	See Action Plan in the report	May 2016		Closed		
		Foot and cross-foot the Monthly Premium Reports		September 2015		Closed		
		Begin plans for the foundation of the BAS database needed by 1/1/18		January 2018		In progress		
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)		January 2018	Open					

Open Audit Issues Report as of November 2017

Audit Findings - Internal Audit

Audit	Report Date	Recommendations	Management Responses	Responsible Staff	Estimated Completion Date	Status
Health Insurance Eligibility - Dependent Spouses & Domestic Partners	September 2015	ETF should 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 Services 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	October 2017	Closed (as of February 2016)
		ETF should 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. 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.	Kathy Wienkes - ESS	November 2016	Closed 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 other 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 a qualifying event must be given to the employers.	Lisa Ellinger - OSHP	November 2017	Closed - Health Plan Contract Language Open - DOA rule change
		ETF should 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. 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.	Kathy Wienkes - ESS	October 2016 January 2016 November 2015	Closed Local Manual Closed State Manual Closed (Chapter 5, Section 505)

Open Audit Issues Report as of November 2017

Audit Findings - Internal Audit

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	January 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	January 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 recommendations and will implement corrective actions based on the resource availability and priority.	Jaymee Meier	January 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	December 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	November 2016	Closed
		To be followed-up by Bureau of Information Technology Services (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	August 2016	Closed		
OFAC	November 2016	Document all procedures used to verify OFAC Compliance and conduct risk assessment of OFAC compliance	Management agreed with the recommendation	Blain Parsons	January 2017	Closed
		Consider incorporating system controls in BAS implementation	Management agrees a system control would be ideal and has requested the implementation of a warning feature to be considered as part of the BAS project. In addition, management has requested the payroll process be enhanced to include an automated solution for the overall OFAC process a part of the BAS project.		Late 2019	In progress
Tax Reporting and Tax Payment-Withholding	January 2017	Develop written procedures to document the improved withholding tax process that is currently in place	Management will ensure the state and federal withholding tax process is fully documented	Blain Parsons	March 2017	Closed

Open Audit Issues Report as of November 2017

Audit Findings - Internal Audit

Audit	Report Date	Recommendations	Management Responses	Responsible Staff	Estimated Completion Date	Status
		Start cross-training a backup person once the procedure s are documented	Until additional staffing is approved and hired, management will work with existing staff to train and provide backup of essential tax functions.			Closed