etf

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Correspondence Memorandum

Date: May 25, 2018

To: Audit Committee

From: Yikchau Sze, Director
                Office of Internal Audit

Subject: 2017-2019 Audit Plan Status

ETF requests the Audit Committee approve the proposed changes to the 2017-2019 Audit Plan.

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 March 2, 2018, through May 25, 2018.

Audit Engagements – Completed
- Cash Reconciliation Process Audit
- Annuity Payment Limited Review

Audit Engagements – In Progress
- Cash Processing Processes – Fieldwork

Other OIA Activities
- Provided fraud hotline training to ETF staff and opened the hotline to WRS members
- Assisted with the external quality assessment led by the Institute of Internal Auditors quality assessment team
- Performed third party administrator audit oversight by
    - coordinating and assisting with the review of Service Organization Control reports
    - reviewing and assessing audit coverage of the Wisconsin Deferred Compensation (WDC) program
    - reviewing WDC Third Party Administrator contract compliance audit results and providing recommendations for future improvements

- Re-assessed the Audit Plan based on risks and resources; accordingly, the following changes are proposed:

Project	Original Plan	Proposed Change	Cause
Employer Reporting	Audit and Follow-up Audit	Follow-up Audit	BAS Delay
Member Account Maintenance and Data Conversion	Audit	Cancel	BAS Delay
Earnings Allocation and Effective Rate Calculation	Consulting and Agreed-upon Procedure	Conduct every other Audit Plan	Staff Availability and Reduced Risk
Purchasing Delegation	Audit	Cancel	Low Risk
Long-Term Disability Insurance Processing	Audit	Postpone to Next Audit Plan	Aligning with the Program Redesign Timing
Identity and Access Management	Consulting	Cancel	Covered by Information Security Assessment Conducted by External Consultant
Contract Administration	Audit	Consulting	Assisting Management to develop administrative process

If the proposed changes are approved, there will be eight remaining projects for the rest of the plan year. OIA has completed/in the process of completing eight projects, including two follow-up audits.

- Continued Audit Command Language online training
- Attended Association of Public Pension Fund Auditors Conference in Austin, Texas
- Tracked and reported the status of open audit issues to the Audit Committee through the quarterly Open Audit Issue Report (see attached)

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

Attachment: Open Audit Issues Memo and Detailed Report

Correspondence Memorandum

Date: June 8, 2018

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 accepting 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.

OIA has completed two follow-up audits and concluded that management has sufficiently addressed audit recommendations.

Open Audit Issues Summary

Audit	Audit Recommendations						OIA Follow-up
Office of Internal Audit	Closed	In Progress	Open	Over Due	On-Hold	Total	Acceptance Review
Mobile Computing Device Audit	4	1	0	0	0	5	TBD
Income Continuation Insurance	7	0	0	0	4	11	TBD
Health Insurance Eligibility	3	0	0	0	0	3	Accepted
WRS Employer Reporting	3	0	0	0	2	5	Under Review
Full File Compare	3	0	0	0	1	4	Under Review
OFAC Compliance	1	0	0	0	1	2	N/A
Tax Reporting and Tax Payment	2	0	0	0	0	2	Accepted
TASC	4	5	1	0	0	10	N/A
Invoice Processing Audit	2	1	0	0	0	3	N/A
HIPAA	0	0	2	0	0	2	N/A
	29	7	3	0	8	47	

Compared with last quarter's status report, the total number of recommendations were increased from 45 to 47; this was due to the two new "open" recommendations from a recently completed HIPAA audit. Compared with last quarter, three more items were "closed", including one "overdue" action item from last quarter. For the on-hold recommendations, in the next few months management will assess the risks and the control dependency to the delayed system implementation to identify alternative actions.

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		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	September 2018	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 (DRS):**				
		Enhance Third Party Administrator (TPA) management	See Action Plan in the report	Deb Roemer and Kathy Wienkes	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	Closed
		Apply the same rules for determining the coverage effective date across all enrollment opportunities			Moved out to Feb 2019	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 2019	On Hold
		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	Cindy Klimke-Armatoski	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 2019	On Hold
		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 2019	On Hold

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.	Kathy Wienkes - ESS	November 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 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 due to cancellation /Closed
		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.	Kathy Wienkes - ESS	October 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.		January 2016	Local Manual Closed
					November 2015	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	January 2019	On Hold
		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 2019	On Hold
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 2018	On Hold
		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	On Hold
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
		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
TASC	August & September 2017	See the TASC tab of the work book (separate report)				

Open Audit Issues Report as of June 8, 2018						
Audit Findings - Internal Audit						
Audit	**Report Date**	**Recommendations**	**Management Responses**	**Responsible Staff**	**Estimated Completion Date**	**Status**
Invoice Processing Audit	November 2017	Make additional revisions to updated procedural documentation and ensure it remains current	Documentation updated to incorporate all audit recommendations and a quarterly review will be implemented.	Sheila Handrick and Bonnie Cyganek	February 2018	Closed
		Implement steps to ensure all invoices are accurately processed and all payments are adequately supported and approved by taking the steps outlined in the audit recommendation	Management agreed with the recommendation. See action plan in the report.	Bonnie Cyganek	September 2018	In progress
		Train staff for Prompt Payment Law details, update documentation regarding tracking late payments, and perform monitoring of timeliness of payments and any interest paid.	Management will develop a Prompt Payment training. In addition management has implemented ongoing monitoring of timeliness of payments and payment of interest, to be tracked via a newly developed metric.	Bonnie Cyganek	January 2018	Closed
HIPAA	March 2018	Develop a process to track what needs to be updated and ensure that updates are published in a timely manner	OPPC will ensure that updates to the HIPAA privacy policies are made as necessary and will follow through to ensure that the udpates are properly and timely published	Steve Hurley Mary Alice McGreevy	August 31, 2018	Open
		Formalize the written policy and procedure for notifying the media of potential large breaches to ensure a timely and orderly response that is in compliance with HIPAA	Agreed	Steve Hurley Mary Alice McGreevy	August 31, 2019	Open

		Open Audit Issues Report as of June 8, 2018 - TASC				
Audit	**Report Date**	**Recommendation**	**Recommendation Detail**	**Responsible**	**Estimated Completion Date**	**Status**
Wipfli LLP	**August 15, 2017**	1. Segregation of duties	Segregate duties related to Premium Service Specialist and restrict system access to one function	TASC		closed
		2. Secondary review of billing for claims and adjustments	1. Establish a secondary review process and sign-off by TASC employee other than employee that is performing the procedures.	TASC		closed
			2. Refine the weekly invoice report structure in order to provide the proper level of detail necessary to validate the claims.	TASC	1-Aug-18	In progress
		3. Claims substantiation documentation	Ensure all substantiated claims have proper documentation as required by federal regulations	TASC	1-May-18	**Closed**
		4. Manual Adjustments	1. Create a periodic report that captures all manual adjustments for a given period.	TASC		Closed
			2. Implement a process to two or more levels of review of the manual adjustment report.	TASC		Closed
		5. Integrity of the EV1 (WEX) system data	1. Work with the eight Payroll Centers to standardize and cleanse the employee data with EV1 (WEX) to ensure that Social Security numbers are consistently being utilized for employee identification and other data fields are updated and current.	TASC & Payroll Centers	1-Aug-18	In progress
			2. Ensure employees' carryover amounts are properly accounted for and transferred from one plan year to the next, throughout the	TASC & ETF	1-May-18	**Closed**
ETF Office of Internal Audit	**September 7, 2017**	1. Accuracy of contributions posted to participant accounts	1. Implement controls to ensure that FSA and HSA contribution amounts from Payroll Center files are uploaded and posted to accounts completely and accurately.	TASC	1-Jun-18	**Closed**
			2. Implement controls to ensure that manual adjustments are made accurately.	TASC	1-Apr-18	**Closed**
		2. Reconciliation between contributions withheld, reported, and paid	1. Implement a control to ensure deductions taken from participants' payroll, contribution data reported to TASC, and the Payroll Centers' payment made to ETF and TASC for contributions all agree.	Payroll Center		Open
			2. All necessary adjustments affecting the dollar value of contributions be processed through the contribution file during the upcoming pay period, rather than through a manual adjustment process.	Payroll Center		Open
		3. Compliance with program contribution limits	1. Implement system controls to limit contributions by the annual program limits for FSAs.	TASC	1-Nov-18	In progress

Open Audit Issues Report as of June 8, 2018 - TASC						
Audit	**Report Date**	**Recommendation**	**Recommendation Detail**	**Responsible**	**Estimated Completion Date**	**Status**
			2. Review employer contributions for HSA programs prior to each year end to ensure they are compliant with program rules and that necessary corrections can be made.	Payroll Center	31-Mar-18	**Closed**
			3. Review total FSA contributions by participant when reviewing the annual Plan Finalization Report to ensure they are compliant with program rules.	ETF	15-Jul-18	In progress
		4. ETF's review of the annual plan finalization report	Conduct a thorough review of the Plan Finalization Report annually to ensure activity is consistent with program rules, and work with the third party administrator and Payroll Centers to resolve any issues identified, and that ETF defines who is responsible for the review. ETF		July 15, 2018	**In progress**
		5. Administrative billing for terminated participants	1. Develop procedures to ensure terminated HSA participants are directly billed for administrative fees and that ETF is not billed for those accounts.	TASC	31-Mar-18	**Closed**
			2. Review its procedures to bill ETF for administrative fees to ensure billing for terminated FSA accounts is appropriate based on program termination rules.	TASC	31-Mar-18	**Closed**
			3. Include employment status and termination date columns in the administrative billing detail provided to ETF.	TASC	completed	Closed
			4. Work with Payroll Centers to ensure termination information is reported consistently.	TASC	31-Mar-18	In progress