

State of Wisconsin – Department of Employee Trust Funds

Madison, Wisconsin

Report of Selected Internal Controls, Policies and Procedures for the Income Continuation Insurance Program



Prepared by

Wipfli LLP
2501 West Beltline Highway,
Suite 401
P.O. Box 8700
Madison, WI 53708-8700

608.274.1980
fax 608.274.8085



Executive Summary

August 21, 2018

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In accordance with the Request for Proposal dated August 24, 2009, and our proposal dated October 29, 2009, as amended from time to time through February 1, 2018, and based on discussions with the State of Wisconsin Department of Employee Trust Funds (WI ETF) management, we have completed procedures to evaluate the effectiveness of certain controls of the administration of the Income Continuation Insurance (ICI) Program by Aetna Life Insurance company (Aetna) on behalf of WI ETF. The objectives of this engagement were to perform reviews of Aetna’s Work From Home policy and the processes for identifying Overpayments and Underpayments. This engagement was not intended to be, and was not, considered an audit or fraud examination because of the restricted nature and limited scope of the procedures performed.

Overview

To achieve the objectives of this engagement, we completed interviews and discussions with key staff at Aetna and WI ETF and reviewed existing controls and process and risk documentation.

Results of our observations and recommendations relied on, and are dependent on, the completeness and accuracy of information provided by Aetna and WI ETF without independent verification.

Reporting Results of Procedures

A summary of the results of the control procedures is included in the Objectives, Procedures and Results section of this report.

The information presented in this report is designed to identify and prioritize financial and operational risks. This engagement is not intended to be, and is not, considered an audit or fraud examination because of the restricted nature and limited scope of the procedures performed.

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This engagement was performed in accordance with the Statement on Standards for Consulting Services as issued by the American Institute of Certified Public Accountants. This information is intended solely for the information and use of Aetna and WI ETF in relation to the results of procedures performed pursuant to the engagement letter. It is not intended to be, and should not be, reproduced, published, or distributed to anyone other than these specified parties or for any other purpose without the prior written consent of Wipfli LLP ("Wipfli").

We look forward to our continued association and appreciate the opportunity to be of service. Please do not hesitate to contact Wipfli if you have any questions or concerns regarding information contained in the accompanying report.

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Review of Internal Controls, Policies and Procedures

Objectives, Procedures and Results

Objectives

1. Obtain an understanding of the procedures and controls surrounding the program's processes in the following specific areas:
 - Aetna's Work from Home policy
 - Aetna's process for identifying Overpayments/Underpayments

Procedures

1. Discussed with appropriate personnel the flow of information within ETF; within Aetna; and between ETF and Aetna.
2. Obtained and examined the Independent Service Auditors' Report on Management's Description of its System and the Suitability of the Design and Operating Effectiveness of Controls reports on internal controls and effectiveness ("SOC 1") for Aetna Disability Management Services Self-Funded Operations covering April 1, 2014 through March 31, 2017.
3. Obtained and read Aetna manuals for teleworking and over/under payments.
4. Obtained and read related written policies and procedures.

Results – General

Based on our inquiries and analysis of these processes and our evaluation of the controls thereon, we obtained an understanding of these systems. Based on this understanding and our professional judgment, we made an assessment of the potential for process failures and control risks. An overview of the claim management, claim payments, recordkeeping, overpayments and administrative billing controls was provided -- See Appendix I.

Aetna engages a public accounting firm to assess the controls of its Disability Management Services' Self-Funded Operations through a Type 2 SOC 1 report. The Type 2 SOC 1 reports covering April 1, 2014 through March 31, 2017 for Aetna contained certain testing exceptions related to Logical Access Controls identified by the Service Auditor. The SOC 1 reports contained no testing exceptions related to Application Controls pertaining expressly to over/under payments or to teleworking. The reports also specified a number of controls that user organizations should have in place to achieve the control objectives contained in the SOC 1 reports. ETF maintains documentation addressing each of the user level controls in the SOC 1 reports.

Review of Internal Controls, Policies and Procedures

Results – Work from Home (Telework)

A. System Time-Out

Policy: Through the Teleworker Privacy Practices Certification, the employees certify that their workspaces are dedicated to Aetna business during working hours and is not accessible by others who may be present in the household; telephone conversations cannot be overheard, and Aetna documents/computer screens cannot be viewed by others.

Potential Risk: The policy makes employees certify that they will manually lock their screens when away from their devices. The policy, however, makes no mention if the company-owned/mobile devices are configured to require an automatic lockout screen, or if the requirement is enforced through technical controls. If an employee were to forget to manually lock their screen, and no automatic control is in place, the potential for unsecure information increases.

B. Work from Home Environment

Policy: As detailed in the policy, Aetna requires that the home office workspace should be:

- Used exclusively for Aetna business during business hours and not be used as a substitute for dependent care
- Secure from unintentional access - all Aetna equipment must be secured and information must be stored out of view, in a locked cabinet, when not in use
- Free of background noise and distractions during the workday
- Large enough to accommodate furniture that meets our ergonomic standards, or furniture issued by Aetna
- In an area with access to high-speed (i.e., broadband) internet service
- Close enough (as determined by your manager) to an Aetna location to enable on-site support (e.g., attend meetings, obtain Desktop Support services)
- Accessible for visits by your manager or technology personnel
- In a building where installation of a second phone line and/or high-speed internet service is permitted
- Free of zoning ordinances that might affect the employee's ability to perform business in his/her personal residence

The policy also requires that teleworkers certify their actions taken to ensure their home work area is secure and protects Aetna property and confidential information. Aetna managers may undergo occasional inspections of home work areas.

Review of Internal Controls, Policies and Procedures

Results – Work from Home (Telework) Continued

B. Work from Home Environment (Continued)

Potential Risk: The policy mentions the possibility of home inspections, but does not provide detail into how a manager determines to perform a physical inspection or what frequency one should occur. Additionally, it is unclear if all physical sites are reviewed for compliance and environment regulations before the telework agreement is authorized. With no official inspections, there is potential Aetna would be unaware of the gap in compliance. Not meeting the requirements could increase the risk of a breach of confidential information, ineffective work setups, and inefficiency.

C. Agreement Review Levels

Policy: As detailed in the policy, Aetna requires teleworkers to complete and sign a variety of agreements depending on their work from home category. These agreements are then reviewed and signed by their respective managers.

Potential Risk: Based on the policy, there appears to only be one level of agreement review. Given the high number of requirements specified, it is possible some information could be missed. This could lead to employees improperly being granted the ability to work from home. This creates a potential risk given the large amount of confidential data dealt with daily, and could also lead to ineffective and inefficient work.

Results – Over/Underpayments

A. Overpayment Calculation

Policy: Per the Overpayment training manual, the Overpayments (OP) department receives notification of a reason for overpayment (see possible reasons below) through an overpayment referral task, which is completed by an Aetna associate. A specialist recalculates the benefit payment using a recalculation chart in excel. If the specialist considers the OP to be complex, it is then sent to a senior specialist for review. However, if the OP is not considered to be complex, then no additional review takes place.

Possible Reasons for Overpayment

- Retroactive Social Security, LTDI, or WRS
- Workers' Compensation Payment of Settlement
- Partial Earnings (Late notification)
- Return to Work (Late notification)
- Incorrect benefit calculation
- Any payments from any other sources
- Exceeded Annual Earnings Limit (LTDI only)

Review of Internal Controls, Policies and Procedures

Results – Over/Underpayments (Continued)

A. Overpayment Calculation (Continued)

Potential Risk: Given that no review takes place for non-complex OP's, there is a chance that the benefit payment recalculated could be incorrect. This could lead to over/under payments for corrections. Also, since there is no review of the initial determination of whether or not an OP is complex, there is additional risk of processing exception.

B. Policy Revision Date

Policy: The Overpayment training manual provided had a last revision date of June 2014. There were no recent updates, amendments, or changes to the manual provided.

Potential Risk: Through discussions, it was noted that the use of social security numbers for various reporting procedures changed during 2015 and 2016, but there was no revision to the manual. Given the ever-changing nature of policies, personnel, and technology, an outdated manual can lead to inefficiencies in processes and overall confusion. It was also apparent that the majority of overpayments are manually calculated based on a pre-existing formula outlined in the policy. Creating a more automated process could result in fewer errors and higher efficiencies.

Appendix I – Process Flow Analysis

WI DETF Income Continuation Insurance

