



STATE OF WISCONSIN
Department of Employee Trust Funds
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Correspondence Memorandum

Date: February 26, 2019
To: Audit Committee
From: Yikchau Sze, Director
Office of Internal Audit (OIA)
Subject: 2017-2019 Audit Plan Status

The following is a summary of the audit engagements completed or in progress, and the status of other OIA activities from November 27, 2018, through February 26, 2019.

Engagements Completed

- COOP Audit
- IT Asset Management Audit
- Periodic Review of Final Annuity Calculations

Engagements In-Progress

- Long Term Disability Insurance Audit – Planning
- Contract Administration Consulting Service – Field work

Other Activities

- Issued simplified bid for the IT risk assessment and IT audit planning services
- Consulted Bureau of Information Security Management in the development of data classification policy
- Improved and refined risk assessment methodology for the 2019-2021 biennial audit planning
- Recommended improvements to the monitoring process of Service Organization Control (SOC) reporting at ETF, including formalizing SOC2 reviewing of IT controls

| Board | Mtg Date | Item # |
|-------|----------|--------|
| AUD | 3.21.19 | 6 |

- Completed OIA training inventory to identify and record current OIA training curricula and materials to support the enterprise initiative of building learning and development best practice at ETF
- Tracked the status of open audit issues through the quarterly Open Audit Issue Report (see attachment A)
- Monitored activities of fraud hotline – no incidents were reported during this review period

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

Attachment: A. Open Audit Issues Memo and Detailed Report



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Date: February 27, 2019

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 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 completed follow-up audits on the Mobile Computing Device Audit, Income Continuation Insurance (ICI) Audit, and OFAC Compliance audit. OIA verified that except two action items that remained open due to especial circumstance, management has sufficiently addressed audit recommendations.

Open Audit Issues Summary

| Audit Office of Internal Audit | Audit Recommendations | | | | Total | OIA Follow-up |
|---------------------------------------|-----------------------|-------------|------|----------|-------|-------------------|
| | Closed | In Progress | Open | Over Due | | Acceptance Review |
| Mobile Computing Device Audit | 5 | - | - | - | 5 | Completed |
| Income Continuation Insurance | 9 | 1 | 1 | - | 11 | Completed |
| OFAC Compliance | 1 | - | 1 | - | 2 | Completed |
| TASC | 6 | 4 | - | - | 10 | N/A |
| Non-Retirement Program Payments Audit | - | 1 | - | - | 1 | N/A |
| | 43 | 6 | 2 | - | 51 | |

Attachment: Open Audit Issues Detailed Report

Open Audit Issues Report as of February 15, 2018

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 | September 2018 – November 30, 2018 | Closed | |
| | | 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 | Jim Guidry 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 | | | TBD, program redesign, requiring statute change | Open | |
| | | Provide additional employer training and update ICI employer administration manuals | | | Manuals: March 2016 Procedures: July 2016 | Closed | |
| | | Improve communication between the Disability Program Section (DPS) and Employer Services Section (ESS) | | | | Closed | |
| | | Establish an enrollment database | | | November 2016 | Closed | |
| | | | | | End of 2020 | In progress | |
| | | 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 | Closed due to BAS Cancellation | | | |
| 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 | Closed due to BAS Cancellation | | | |

Open Audit Issues Report as of February 15, 2018
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 | <p>Division of the Retirement Services has taken the following actions</p> <p>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</p> <p>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.</p> | Kathy Wienkes - ESS | October 2017 | Closed (as of February 2016) |
| | | ETF should improve communication, education, and increase awareness of compliance requirements | <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> | Kathy Wienkes - ESS | November 2016 | Closed Closed |
| | | ETF should enhance communication and provide clear instructions to employers to improve COBRA compliance | <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 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.</p> | Lisa Ellinger - OSHP | November 2017 | Closed due to cancellation /Closed |
| | | ETF should enhance communication and provide clear instructions to employers to improve COBRA compliance | <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> | 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 February 15, 2018

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 2019 | Closed due to cancellation |
| | | 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 | Closed due to cancellation | |
| 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 | Closed |
| | | 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 |
| 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 as part of the BAS project. | | TBD, will be part of new system implementation | Keep Open Status to incorporate in the future project |
| 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 procedures 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) | | | | |
| 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 |

Open Audit Issues Report as of February 15, 2018

Audit Findings - Internal Audit

| Audit | Report Date | Recommendations | Management Responses | Responsible Staff | Estimated Completion Date | Status |
|---------------------------------------|----------------|---|---|-------------------------------------|---|-------------|
| | | 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 | Closed |
| | | 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 updates are properly and timely published | Steve Hurley Mary Alice McGreevy | 08/31/2018. Introduction to HIPAA Revised. 8/29/2018 | Closed. |
| | | 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 | 08/31/2018. HIPPA Policy #21 created. 8/31/2018 | Closed. |
| Cash Reconciliation Process Audit | May 2018 | DTF complete the monthly cash reconciliation each month, and in a timely manner. | DTF will update the written procedures to include a timeframe for completing and reviewing cash reconciliation. Management believes the risk of financial misstatement in ETF's annual CAFR is low if the reconciliation is not completed timely, therefore, management has decided to perform this reconciliation quarterly going forward. | Marilyn Lim | July 31, 2018 | Closed |
| | | DTF complete and update procedural documentation for daily and monthly cash reconciliation processes. | Recommendation was fully implemented when follow-up audit work was performed so no Management Response, Responsible Staff or Estimated Completion Date required. | n/a | n/a | Closed |
| | | DTF research the \$2.9 million variance in cash between ETF and SWIB cash balances and resolve the variance. | Recommendation was fully implemented when follow-up audit work was performed so no Management Response, Responsible Staff or Estimated Completion Date required. | n/a | n/a | Closed |
| Non-Retirement Program Payments Audit | September 2018 | DTF should work with program managers to ensure invoiced amounts are further substantiated including steps outlined in the audit recommendation. | DTF staff will work with OSHP staff to better define and document roles and responsibilities for reviewing and approving invoices related to Delta Dental and Navitus expenses. DTF will also discuss and assess the risk of inappropriate payments and implement additional controls based on that risk assessment. | Dave Ehlinger | 12/31/2018 4/1/2019 | In Progress |

Open Audit Issues Report as of February 15, 2019 - 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 | Sept. 2018 Nov. 2018 March 1, 2019 | In progress |
| | | 3. Claims substantiation documentation | Ensure all substantiated claims have proper documentation as required by federal regulations | TASC | May 2018 | 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 | Nov 2018 April 1, 2019 | In progress |
| 2. Ensure employees' carryover amounts are properly accounted for and transferred from one plan year to the next, throughout the | TASC & ETF | | May 2018 | 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 | June 2018 | Closed |

Open Audit Issues Report as of February 15, 2019 - TASC

| Audit | Report Date | Recommendation | Recommendation Detail | Responsible | Estimated Completion Date | Status |
|-------|-------------|--|---|----------------|---------------------------|-------------|
| | | | 2. Implement controls to ensure that manual adjustments are made accurately. | TASC | April 2018 | 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 | April 1, 2019 | In progress |
| | | | 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 | April 1, 2019 | In progress |
| | | 3. Compliance with program contribution limits | 1. Implement system controls to limit contributions by the annual program limits for FSAs. | TASC | Nov 2018 | Closed |
| | | | 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 | March 2018 | Closed |
| | | | 3. Review total FSA contributions by participant when reviewing the annual Plan Finalization Report to ensure they are compliant with program rules. | ETF | July 2018 | Closed |
| | | 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 | Dec-2018 April 1, 2019 | 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 | March 2018 | 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 | March 2018 | Closed |

Open Audit Issues Report as of February 15, 2019 - TASC

| Audit | Report Date | Recommendation | Recommendation Detail | Responsible | Estimated Completion Date | Status |
|-------|-------------|---|-----------------------|-------------|---------------------------|--------|
| | | 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 | Nov 2018 | Closed | |