



STATE OF WISCONSIN  
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## ***Correspondence Memorandum***

**Date:** May 24, 2019  
**To:** Audit Committee  
**From:** Michelle Hoehne  
Office of Internal Audit  
**Subject:** Non-Retirement Program Payments Audit Follow-up

**This memo is for Audit Committee review and discussion. No action is required.**

At the September 20, 2018 Audit Committee meeting, the Office of Internal Audit (OIA) shared the results from the Non-Retirement Program Payments Audit. The audit included a finding identifying that for some payment types with certain vendors, further substantiation of invoiced amounts and additional communication and collaboration between the Division of Trust Finance (DTF) and program managers was necessary.

OIA recommended that DTF work with the program managers to ensure invoiced amounts were further substantiated. Specific examples included: substantiating member counts in administrative costs calculations; developing and documenting a Delta Dental administrative cost reconciliation process; performing reasonableness reviews of invoiced claims; and providing information of payments processed to the program managers for review.

DTF has provided the attached memo outlining the implemented corrective actions. Due to the corrective actions indicated by management, OIA considers this finding closed.

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

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## Correspondence Memorandum

**Date:** May 23, 2019  
**To:** Audit Committee  
**From:** Amelia Slaney, Deputy Administrator  
Division of Trust Finance  
**Subject:** Follow-Up to Non-Retirement Programs Payments Audit

**This memo is for Audit Committee review and discussion. No action is required.**

The purpose of this memo is to provide an update on progress made in addressing recommendations from the Non-Retirement Programs Payments audit reported to the Committee in September 2018.

Since the audit, the Division of Trust Finance (DTF) has worked with program managers to further substantiate invoiced amounts. DTF substantiates member counts used in the invoiced administrative cost calculation by verifying counts with data provided by the third-party administrator. For example, Navitus provides a file with administrative invoices, which DTF uses to verify member counts and the invoiced amounts. DTF also uses a monthly reconciliation report from Delta Dental to compare with invoices for claims and administrative costs.

DTF and the Office of Strategic Health Policy (OSHP) review each invoice for reasonableness. DTF compiles a trend analysis for each payment type to assist in the reasonableness review. In March 2019, DTF began sending invoices to OSHP program managers for review and approval. Staff review the invoiced amount against historical payments and known changes in payments that could materially affect the invoiced amount. DTF records the program manager approval and date within the payment supporting documentation.

DTF conducted a risk assessment over the insurance payment process. This assessment included payments for all insurance programs administered by ETF, not just those noted in the audit report. This assessment documents controls within DTF and OSHP that provide assurance over the insurance claim and administration payment process. Primary financial controls to mitigate risk include the following:

- DTF ties the invoice total to supporting documentation;

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- DTF tracks invoice amounts in a trend analysis, which is used to review the reasonableness of payment amount;
- Program managers review and provide approval of invoice amounts; and
- DTF analytically reviews calendar year activity when compiling annual financial statements.

In addition, ETF's review of Service Organization Control reports and periodic compliance audits provide assurance over the accuracy of claims and invoiced amounts.

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