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Correspondence Memorandum

Date: August 26, 2019

To: Audit Committee

From: Yikchau Sze, Director
Office of Internal Audit (OIA)

Subject: FY2020 - FY2021 Audit Plan Status

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

Engagements Completed
- Long-Term Disability Insurance Program Audit
- Contract Administration Consulting Review

Engagements In-Progress
- Health Insurance Billing Audit –Drafting Audit Report
- Active Lives Data Extract Audit – Planning
- Annual Statement of Benefits Abnormal Balance Review – Planning
- Benefit Calculation and Distribution Agreed-upon Procedures – Developing structured template to improve testing efficiency

Other Activities
- Issued RFP for the IT Audit and Consulting services and issued Letter of Intent to Award a Contract
- Facilitated 2018 Service Organization Controls (SOC) reporting review, and engaged program managers in a lessons learned discussion regarding SOC reporting
- Assisted Bureau of Information Technology Services in its remediation effort of creating role-based security for WEBS access
- Continued the initiative to build out data analytical capability of OIA
- Participated in periodic check-in meetings for Third-Party Contract Compliance Audits
- Contributed to the strategic plan development initiative

Board	Mtg Date	Item #
AUD	9.19.19	6

- Leveraged audit management software, TeamMate, to conduct post-audit survey
- Tracked the status of all open audit issues through the quarterly Open Audit Issue Report (see attachment A)
- Monitored activities of fraud hotline – one incident was reported during this review period and appropriate follow-up actions have been taken

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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From: Yikchau Sze, Director
                    Office of Internal Audit (OIA)

Subject: Open Audit Issues Report

This memo is for informational purposes only. No action is required.

The Open Audit Issues report tracks recommendations raised by the Office of Internal Audit (OIA) for all internal audits completed since July 2014. 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.

Starting in FY2020, OIA is beginning to track recommendations raised by external auditors to ensure appropriate remediation of all audit findings by management. The table below provides a summary of all audits with findings that have not been closed as of August 2019.

Open Audit Issues Summary

Program	Audit Performed by	Audit Recommendations				
		Closed	In Progress	Open	Over Due	Total Outstanding
Income Continuation Insurance	OIA	10	1	-	-	1
TASC	OIA	9	1	-	-	1
COOP Plan	OIA	-	3	-	-	3
IT Asset Management	OIA	2	1	-	-	1
Total - Internal Audit Outstanding Findings			**6**	**-**	**-**	**6**
GIB Evaluation *	LAB	17	16	-	-	16
Total - External Audit Outstanding Findings			**16**	**-**	**-**	**16**
Report Total		**-**	**22**	**-**	**-**	**22**

*See ETF Board Agenda Item 5D LAB Update to ETF Board for Details

Attachment A: 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~~ 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			July 18, 2018	Closed
		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			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

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	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	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 as part of the BAS project.		TBD	Closed. Will be part of new system implementation

Open Audit Issues Report as of August 2019						
Audit	**Report Date**	**Recommendations**	**Management Responses**	**Responsible Staff**	**Estimated Completion Date**	**Status**
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)				
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	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	Closed

Audit	Report Date	Recommendations	Management Responses	Responsible Staff	Estimated Completion Date	Status
COOP Plan Audit	February 2019	The COOP Implementation Team Directors, as the owner of the COOP Plan, should ensure ETF has a comprehensive IT disaster recovery strategy that is integrated with enterprise COOP Planning efforts for all critical ETF and DOA-DET provided IT services, and develop a process to document and implement the IT Disaster Recovery Plan	Management agrees. The Bureau of Information Technology Services (BITS) has outlined a process for documenting and implementing ETF's IT Disaster Recovery Plan that will include: • Finalized plan and procedure documentation for the COOP WFH Plan • Recommendations for a more robust alternative to the current DET solution for back-up of business applications • Documentation of DET- and ETF-specific recovery responsibilities • A draft agreement for DET to secure an IT-focused alternate site, network set-up plan, and all other necessary DET services needed to recover agency headquarters	BITS Chief Information Officer, COOP Implementation Team Directors	December 31, 2019	In Progress
		To ensure the accuracy and completeness of COOP Plan content, the COOP Implementation Team Directors should develop a process that requires division/office management to conduct a secondary review of the Plan content and implement a consistent annual review of all existing and updated content maintained in Sustainable Planner. The annual review should include a reassessment of all essential and non-essential services to identify any needed Plan changes.	Management agrees. The Sustainable Planner application only shows completion status of component surveys and lacks a reporting query for review status. A process improvement will be made by the Deputy Agency Continuity Manager to ensure validation by all COOP management (including all Call Tree Leads/Back-ups, Business Service Plan Owners and division management) is documented in our COOP records.	Deputy Agency Continuity Manager	December 31, 2019	In Progress
		The COOP Implementation Team Directors continue efforts to bring the Plan up to date and develop a long-term strategy to ensure: • The Plan is complete and stays current; • Only the authoritative copy is maintained; and • The Plan is strategically organized for easy access and maintenance.	Management agrees. Content reorganization in the shared drive was completed. The COOP Team is in the process of determining the appropriate locations for housing all official COOP Plan content to ensure a systematic approach to content management including documentation of the frequency and validation of content updating. Content management will also include dedicated work sessions to complete the development of the ETF Connect COOP site on the Share Point platform. The revised Facilities Checklist has been drafted and re-scoped so that two separate Advance Teams – one facilities- and safety-specific, the other IT-specific - now assume responsibility for advance alternate site preparations in the event DOA COOP/COG assigns one to ETF.	Deputy Agency Continuity Manager, COOP Implementation Team	December 31, 2019	In Progress

		Open Audit Issues Report as of August 2019				
Audit	Report Date	Recommendations	Management Responses	Responsible Staff	Estimated Completion Date	Status
IT Asset Management Audit	February 2019	BITS management should reallocate a portion of IT asset management responsibility to another employee within BITS to create a separation of duties within the IT asset management process.	Starting with 2/15/19 bi-weekly inventory, a different FTE will perform physical inventory. BITS IT Asset Manager will sign off on inventory completion and validate against STAR. Management will evaluate further ways for separation of duties as IT Asset Management lifecycle continues to mature.	BITS ITSC Supervisor (Aaron Vanden Heuvel)	February 15, 2019	Closed
		BITS management should require all employees entering the primary secured storage area for IT assets to access using their State employee ID badge.	As of 2/11/19, one door was rekeyed and recoded, with staff not having access to code or key. Thus, requiring all staff to enter door requiring a scan of ID badge.	BITS ITSC Supervisor (Aaron Vanden Heuvel)	February 11, 2019	Closed
		ETF management should create a formal process for development, communication, and maintenance of internal ETF policies.	OPPC will establish a team to determine scope, general requirements, and outline a proposed workflowfor development of new policy and policy changes, providing results to the ETF Leadership Team by 5/1/19. The goal for rollout and implementation of new policy process will be 12/31/19.	Director of OPPC (Steve Hurley)	December 31, 2019	In Progress

Open Audit Issues Report as of August - TASC						
Audit	Report Date	Recommendation	Recommendation Detail	Responsible	Estimated Completion Date	Status
Wipfli LLP		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	Closed
		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

Open Audit Issues Report as of August - TASC						
Audit	**Report Date**	**Recommendation**	**Recommendation Detail**	**Responsible**	**Estimated Completion Date**	**Status**
		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~~ ~~August 1, 2019~~ December 31, 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

		Open Audit Issues Report as of August - TASC				
Audit	**Report Date**	**Recommendation**	**Recommendation Detail**	**Responsible**	**Estimated Completion Date**	**Status**
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
			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~~ August 1, 2019	Closed
			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	Closed
		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

Open Audit Issues Report as of August - TASC						
Audit	Report Date	Recommendation	Recommendation Detail	Responsible	Estimated Completion Date	Status
		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	Closed
		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
			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