

# Office of Internal Audit

## TASC Balances Audit



August 24, 2020

Prepared for Audit Committee Meeting of the Department of Employee Trust funds, 9.16.20;

Reviewed and approved by Yikchau Sze, Director, Office of Internal Audit

Electronically Signed 8/28/20

Board	Mtg Date	Item #
AUD	9.16.20	4B

Prepared by Amanda Williams  
Page 1 of 3

## **Background**

Since 2015, Total Administrative Services Corporation (TASC) had been ETF's third-party administrator (TPA) for the Health Savings Account (HSA), Section 125 Cafeteria Plan and Employee Reimbursement Account (ERA), and Commuter Fringe Benefit plans. In February 2019, after a competitive bid process, ETF selected ConnectYourCare (CYC) as the new administrator for the ERA, HSA, and other fringe benefits programs starting in 2020.

ETF worked with TASC and CYC to coordinate the balance transfers and carryovers to the HSA and ERA participant accounts. Most of the plan balances transferred successfully from TASC to CYC in March 2020, with some additional transfers and adjustments made in the following months. The Division of Trust Finance (DTF) has performed reconciliations of the contributions and claims reported by TASC and reviewed all of the invoices from TASC for the 2019 claims. As part of the TPA transition management, OIA was requested by the Office of Strategic Health Policy (OSHP) to provide independent assurance on the quality of the TASC balances.

## **Audit Objective and Scope**

This audit was conducted in accordance with the FY20-FY21 Biennial Audit Plan to provide assurance on the accuracy of ERA and HSA balances administered by TASC. We performed our audit of the contributions and claims for the ERA plans of 2019 and the balances transferred to CYC for both ERA and HSA plans in 2020.

Our review was performed in conformance with the International Standards for the Professional Practice of Internal Auditing issued by the International Internal Audit Standards Board.

## **Audit Approach**

To provide timely information for vendor transition management, OIA completed this review in two phases.

- Phase 1 – analytical review of TASC reported contributions and claims, by participant, through the first three quarter of 2019.
- Phase 2 – review of final balances, including contribution and claims data reported in 2019 Quarter 4 and the 3-month run-out period in 2020 for plan year 2019.

OIA provided OSHP with a memorandum of the Phase 1 results on January 2, 2020 (See Attachment I) and a memorandum of the Phase 2 results on August 20, 2020 (See Attachment II).

In summary, OIA reviewed the ERA plan contributions, claims, and carryover amounts by completing several procedures, including comparison of reports provided by TASC, the payroll centers, and CYC. We also recalculated plan contributions, investigated a sample of contribution recalculation differences, reviewed documentation submitted by participants for ERA claims, and ensured that unsubstantiated claims were appropriately denied.

Because the HSA balances were not readily available in TASC's or CYC's employer portals due to the nature of these accounts being personal investment accounts, OIA conducted a limited review on these balances. For the HSA balances that were transferred via ACH, we compared the reports provided by TASC of the HSA account balances they wired to CYC to the total transfer balances and total accounts reported by CYC to ensure all balances transferred.

## **Audit Results**

We found no exceptions in our limited review of the HSA balances. We identified some differences in the ERA plan contributions, claims and carryover amounts reported by TASC; however, based on our review and the responses we received from TASC, the reasons for the differences appeared reasonable. Since the discrepancy we identified in the carryover amount is not material compared to the overall balances transferred to CYC, we concluded that the HSA/ERA balances transferred from TASC to CYC appear to be materially accurate.

## **Process Improvement Suggestion**

To improve the efficiency of the contribution reconciliations between the payroll centers and the TPA, we suggest OSHP work with CYC and the payroll centers to ensure that they have procedures in place to ensure that the participant plans properly reflect the participants' information, including their SSN, their employment status dates and plan election dates. Any changes to this information should be communicated to CYC in a timely manner by the payroll centers.

Attachment I: TASC Balances Audit – Phase 1 Memorandum to OSHP  
Attachment II: TASC Balances Audit – Phase 2 Memorandum to OSHP



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## ***Correspondence Memorandum***

**Date:** January 2, 2020  
**To:** Office of Strategic Health Policy (OSHP)  
**From:** Office of Internal Audit (OIA)  
**Subject:** TASC Balances Audit – Phase 1

As requested by OSHP, to provide assurance on the accuracy of participant Employee Reimbursement Account (ERA) carryover and Health Savings Account (HSA) transfer balances, OIA is completing a two-phase TASC balances quality check. This review includes the following planned approach:

- Phase 1 - analytical review of TASC-reported participant contributions and claims, through the first three quarters of 2019.
- Phase 2 – review of final balances (including contribution and claims data reported in the fourth quarter of 2019 and during the 3-month run-out period in 2020 for plan year 2019).

OIA has completed the analysis for Phase 1 of the review. We found that overall, the contribution and claims amounts reported by TASC appear to be materially reasonable based on the analytical review performed. However, OIA did identify some reported contribution and claims amounts that did not meet our expectations, as discussed below. OIA has requested additional data from TASC and will work with TASC and the payroll centers to review these discrepancies in the coming months. The results of this follow-up will be combined and reported with our review in Phase 2, to be completed in April - May of 2020.

### Account Balances (Contributions)

#### *Audit Methodology*

OIA conducted this review by calculating the expected contribution-to-date amounts, based on participant election and number of pay cycles, through the third quarter of 2019. We then compared this, by participant, to a preliminary 2019 Quarter 3 Plan Finalization Report requested from TASC. Additionally, we obtained select contribution files from the payroll centers to provide some additional assurance of the amounts reported by TASC.

#### *Results*

OIA found a 0.48 percent difference (\$133,088.25) between the total contributions-to-date reported by TASC and the OIA anticipated contributions-to-date calculated based on election amounts.

Other noteworthy items, for which we shared details with the OSHP program manager and have reached out to TASC or the payroll centers for additional explanation, include:

- Two participants with HSA elections exceeding the 2019 IRS limits
- Participants with contributions through three quarters at the level of, or exceeding their election amounts, despite one quarter of contributions remaining
- Varying election and employment termination dates or employment terminations without election terminations
- Contributions made after employment termination dates
- Contributions made prior to the election effective dates
- Contributions stopping while there is an active election or prior to the termination dates

### Account Balances (Claims)

#### *Audit Methodology*

OIA conducted this review by comparing the invoiced claims detail for ERA accounts provided to ETF by TASC with the preliminary 2019 Quarter 3 Plan Finalization Report requested from TASC. HSA claims data is not available to ETF due to the nature of HSA accounts being personal investment accounts.

#### *Results*

OIA found a 0.96 percent difference (\$254,852.31) between the claims-to-date reported by TASC in the preliminary 2019 Quarter 3 Plan Finalization Report as compared to the claims invoiced to ETF.

As part of our review, we also followed up with TASC on the following identified items:

- Invoiced amounts to ETF included items shown as denied in TASC's employer portal
- Discrepancies in the plan year between the invoice detail and the employer portal
- Discrepancies between the date of service for the claim and the plan year listed in the employer portal
- An employee with two Health Care FSA accounts that had claims for both accounts
- Different programs reported on the invoice and finalization report for certain claims

Additionally, during our review of the weekly invoiced claims detail provided to ETF by TASC, we noted a lack of supporting detail to claims invoiced by TASC. One file did not contain information detailing the claim amounts by member, as required by ETF.

Additionally, all files through the first three quarters were missing some data, as to which program the claims related to (Health Care FSA, Dependent Day Care FSA, etc.). We found that from the invoices received January 8, 2019 through October 1, 2019, approximately \$1.6 million in claims was missing supporting detail. As a result, we recommend additional steps be taken in the invoice review process prior to approving reimbursement to TASC for invoiced claims. Coordination of this additional review should be agreed upon by the OSHP program manager and Division of Trust Finance Insurance Program Accounting staff.

cc: Cindy Klimke-Armatoski, Administrator, Chief Trust Finance Officer, DTF  
Mona Yee, Deputy Administrator, DTF



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## ***Correspondence Memorandum***

**Date:** August 20, 2020  
**To:** Office of Strategic Health Policy (OSHP)  
**From:** Office of Internal Audit (OIA)  
**Subject:** TASC Balances Audit – Phase 2

As requested by OSHP, OIA has completed a two phase TASC balances quality check to provide assurance on the accuracy of participant Employee Reimbursement Account (ERA) carryover and Health Savings Account (HSA) transfer balances. This review included the following:

- Phase 1 – analytical review of TASC reported contributions and claims, by participant, through the first three quarters of 2019.
- Phase 2 – review of final balances (including contribution and claims data reported in 2019 Quarter 4 and the 3-month run-out period in 2020 for plan year 2019).

A memorandum of the results from our Phase 1 review was provided on January 2, 2020. The results of our Phase 2 review and the follow-up from our Phase 1 review are discussed below.

### ERA Account Contributions

In Phase 1 of our review, we identified differences between the total contributions-to-date reported by TASC and the OIA anticipated contributions-to-date calculated based on the election amounts. We had found that the majority of these differences were due to contributions not being made by the participant, based on their election and employment effective dates included in TASC's preliminary 2019 Plan Finalization Report. In Phase 2 of our review, we continued to observe these differences between our recalculated contribution totals and the contributions reported by TASC.

Our Phase 2 reasonableness test of the ERA account contributions was performed by recalculating the contributions for each plan for the entire year, based on the amount shown in the Payroll Center's contribution file sent to TASC for the first pay period in October<sup>1</sup>. We then compared these amounts to the contributions in TASC's 2019 Plan Finalization Report and on TASC's Employer Portal. While we observed differences

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<sup>1</sup> If the participant's plan wasn't effective during the first pay period of October, we used either the contribution files from the first or last pay period of the year.

between our recalculated contributions and the contributions reported by TASC, these differences are largely due to the following:

1. The participant did not make contributions the first few pay periods since their election start date. These delays are common due to payroll processing delays.
2. The participant's contribution amount changed throughout the year. This can occur due to various reasons, such as a change in election or a temporary leave of absence.
3. The participant's contributions stopped earlier than the termination date reported by TASC, which indicates that TASC may not have been notified of the participant's termination date in a timely manner from the payroll centers. Payroll centers are required to notify TASC if there is a change in the participant's employment status or plan election.

Since it appears that there have been delays in the communication from the payroll centers and/or TASC updating its system to reflect the employment status and election dates for a participant, we suggest that OSHP work with CYC and the payroll centers to ensure that CYC and the payroll centers have procedures in place to ensure that the participant plans properly reflect participants' employment status dates and plan election dates in a timely manner. This will improve the efficiency of the contribution reconciliation process performed between CYC and the Payroll Centers.

In Phase 2 of our review, we also compared the plans included in the contribution files submitted by the payroll centers to TASC's 2019 Plan Finalization Report to ensure that all of the plans reported by TASC were valid plans and that all of the individuals that paid contributions to TASC had established plans in TASC's system. We identified several plans that were included in the payroll center contribution files, but no record of the contributions or the participant's plan was found in the TASC's Employer Portal. For these plans, TASC stated that the payroll center submitted the contributions with the wrong SSN and updated the SSN after the contribution was made. TASC's explanation appeared reasonable; we verified that the contributions were recorded with the corrected SSN.

We also compared the election and contribution amounts to the limits established by the IRS for the various ERA/HSA plans and to the enrollment files provided by the payroll centers to ensure that the established limits and enrollment amounts were not exceeded. We found one participant plan with contributions over the Dependent Day Care FSA limit and their election amount. We inquired with the ETF HSA/ERA program manager whether CYC has controls established to ensure participants do not exceed the program's contribution limits or the participant's election amount. ETF's program manager indicated that CYC has such controls in place.

In the TASC 2019 Plan Finalization Report, we found some plans with election dates after the employee's termination date. TASC stated that this was due to how the payroll center submitted the information to TASC, which included the wrong election date. We inquired with the ETF HSA/ERA program manager whether CYC has controls

established to identify abnormal transactions. ETF's program manager indicated that CYC provides error reports to the payroll centers that identify plan details not meeting expectations. Therefore, it appears that CYC has controls in place to detect these types of errors.

#### ERA Account Claims

In Phase 1 of our review, we noted a difference between the claims-to-date reported by TASC in the preliminary 2019 Quarter 3 Plan Finalization Report and the claims invoiced to ETF. We had recommended that additional steps be taken by ETF in the invoice review process prior to approving reimbursement to TASC for the invoiced claims. Since our Phase 1 review, the Division of Trust Finance (DTF) has reviewed all of the 2019 invoices received from TASC and has performed reconciliations between the claims and contributions reported by TASC and other reports. DTF has been working with TASC to reconcile all differences noted in their review.

In our Phase 2 review, we compared the claims reported on TASC's 2019 Plan Finalization Report to the claims invoiced by TASC and the claims reported in the TASC employer portal. We reviewed a sample of the differences we identified to determine the cause of the differences. While we observed differences of \$788,672 (2.0% of total claims reported), these differences were due to similar reasons that we identified in Phase 1, such as the claim not being invoiced or the invoice not providing the correct plan information. We noted that claim corrections were still being processed after TASC provided the 2019 Plan Finalization Report that would correct the differences we identified.

As of August 19, 2020, DTF was able to resolve the differences identified in its reconciliation between the claims reported by TASC and the claims ETF was invoiced. However, staff have questions outstanding with TASC regarding some of the claim reports. We verified that the differences identified in our review were resolved by the adjustments made through DTF's reconciliation with TASC. We also learned that for the contributions and claims reported by CYC, DTF has been reviewing and reconciling this information to supporting documents on a monthly basis.

For Phase 2 of our review, we also selected a random sample of claims to review the documentation submitted by the participant for approval for payment or reimbursement for the claim. We found that the documentation submitted by participants supported their claims for which they requested reimbursement, except for one claim in our sample. This claim had an amount that was more than the receipt included in the claim documentation provided to TASC by the participant. TASC agreed that this claim should not have been paid for the total claimed amount. TASC stated it would provide further training for its staff.

In addition, we selected a random sample of unsubstantiated (i.e., denied) claims and requested the related documentation to ensure that TASC appropriately denied the claims and notified the participant of the denial. We found that all of the unsubstantiated



claims in our sample had adequate documentation and the participant appeared to be properly notified of the denied claim.

### ERA Carryover Balances

Using the amounts reported in the TASC 2019 Plan Finalization Report, we calculated the carryover balances we expected to be transferred to CYC based on ETF's carryover limits stated for each ERA program. We then compared our calculated amounts to the carryover reports provided by TASC and CYC for the accounts they transferred and received, respectively. We also compared the TASC carryover report to the CYC carryover report to ensure that the amounts transferred by TASC were received by CYC.

We found that several plan carryover balances did not meet our expectations. We found differences in the individual carryover balances and several plans that were either included in the rollover to CYC that we did not anticipate or did not rollover as we expected. As of August 19, 2020, the total carryover amount transferred to CYC was \$1,615.37 (0.06%) more than what we expected for 59 individual plans. We have been working with the ETF HSA/ERA Program Manager and TASC to reconcile the differences we identified.

### Health Savings Account Balances

Since the HSA balances were not readily available in TASC's or CYC's Employer Portals due to the nature of these accounts, OIA conducted a limited review on these balances. For the HSA balances that were transferred via ACH, we compared the reports provided by TASC of the HSA account balances they wired to CYC to the total transfer balances and total accounts reported by CYC to ensure all balances transferred.

We noted no exceptions in our testing of the ACH transfers. However, during our review, we became aware of issues with participants receiving their HSA funds if they did not provide their e-consent and TASC sent a check to CYC instead of a wire. In discussions with the ETF HSA/ERA Program Manager, we noted that this issue appears to be the result of an issue with the USPS delivery of the checks to CYC, which has since been resolved.

### Conclusion

OIA concludes that the HSA/ERA balances transferred from TASC to CYC were materially accurate. The reasons for the differences we found in the contributions and claims appeared reasonable based on our review and the responses we received from TASC. The \$1,615.37 carryover difference we identified in our review is not material compared to the overall balances rolled over to CYC.

To improve the efficiency of the contribution reconciliations between the Payroll Centers and the TPA, we suggest OSHP work with CYC and the Payroll Centers to ensure that they have procedures in place to ensure that the participant plans properly reflect the

TASC Balances Audit – Phase 2

August 20, 2020

Page 5 of 5

participants' information, including their Social Security number, employment status dates and plan election dates. Any changes to this information should be communicated by the Payroll Centers to CYC in a timely manner.

Cc: Cindy Klimke-Armatoski, Administrator, Chief Trust Finance Officer, DTF  
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