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Correspondence Memorandum

Date: February 18, 2021
To: Audit Committee Members
From: Yikchau Sze, Director
Office of Internal Audit (OIA)
Subject: ETF Fraud Program

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

The Department of Employee Trust Funds (ETF) will develop and implement a fraud program to help ensure adequate controls are in place to limit the risk of and reduce the impact of fraud. This effort is aligned with the ETF's mission of developing and delivering quality benefits and services to our customers while safeguarding the integrity of the trust.

The fraud program is, at minimum, comprised of an enterprise fraud policy and a written fraud response plan. The fraud policy was approved by ETF's internal Agency Management Council (AMC) in November 2020. The fraud response plan, a document that describes roles and responsibilities for all phases of handling a fraud incident, is under development and will be submitted to the AMC for approval by June 30, 2021.

Steve Hurley, the Director of Office of Policy, Privacy and Compliance, will provide an overview of the fraud policy and the development of the fraud response plan at the Audit Committee meeting.

Attachment A: Fraud Policy

Board	Mtg Date	Item #
AUD	3.24.21	6



Fraud Policy

Approved: November 10, 2020

Purpose

This enterprise policy helps to ensure adequate internal controls to reduce Fraud-related risks and impacts. This policy supports compliance with the ETF Internal Control Plan and legal requirements.

Scope

This policy applies to Fraud affecting ETF's business operations, the benefit programs ETF administers, or ETF Assets, whether the source of Fraud is internal to ETF or external. This policy supersedes existing ETF policies or directives that conflict with the policy.

Definitions

ETF Assets means ETF-owned or leased property, materials, equipment, or supplies. It includes all hardcopy records and electronic data in systems that ETF owns, leases, or causes to be administered by others for ETF's business operations.

Fraud (see "Statement of Policy" section).

Fraud Response Plan is a resource for the agency that facilitates a prompt and professional response to suspected or actual Fraud, whether it is a small or a large incident. The document describes roles and responsibilities for all phases of handling a Fraud incident. The plan includes procedures, protocols and detailed instruction on reporting, mitigating loss, investigating, preserving evidence, and keeping all persons with a need to know suitably informed about the Fraud incident.

Statement of Policy

ETF will, as part of a Fraud Program, maintain reasonable controls to address the prevention, detection, reporting, investigation, remediation, and mitigation of Fraud in ETF Assets, ETF's business operations or the benefit programs ETF administers. For ETF's purposes, "Fraud" means an intentional misrepresentation, omission or deception made for personal gain. Examples of Fraud include:

- Benefits Fraud (such as false statements on enrollment or benefit applications, or failing to report a member death and continuing to receive a benefit);
- Financial/accounting Fraud (such as a misrepresentation intended to redirect ACH deposits, or manipulation of ETF data for personal gain);
- Theft or misuse of ETF Assets for personal gain; and
- False statements made for personal gain (such as false claims of overtime, expenses, or sick leave).



Fraud Policy

Approved: November 10, 2020

Fraud Program

ETF shall implement a Fraud Program. The Fraud Program is a set of documented actions to reduce Fraud-related risks and impacts. The Fraud Program is, at a minimum, comprised of this Fraud Policy and a written Fraud Response Plan. The initial Fraud Response Plan must be drafted and approved by June 30, 2021.

Roles and Responsibilities

The Director of the Office of Internal Audit will oversee the agency's Fraud Program. In addition, ETF managers are fully responsible for taking actions in accordance with the Fraud Program to identify, prevent, and respond to suspected or actual Fraud. The ETF positions involved in a particular Fraud incident depend on the source, type, and scale of the situation. Roles and responsibilities for responding to Fraud shall be maintained in the Fraud Response Plan.

Fraud Monitoring and Detection

ETF shall maintain reasonable controls to prevent and detect Fraud. Managers must ensure adequate internal controls are in place to mitigate the risk of fraudulent activities, and consider the potential for Fraud, as documented in the agency's Internal Control Plan. The effectiveness of internal controls in addressing Fraud risk will be periodically reviewed by ETF's Office of Internal Audit.

Fraud Reporting

ETF staff (permanent and project employees, LTEs, and contractors) must protect ETF Assets and assets of ETF's benefit programs within their respective control. ETF staff are expected to be alert to the potential for Fraud and to promptly escalate concerns or observations of unusual activity. The agency's Fraud Response Plan shall describe how ETF staff can report Fraud. In addition, ETF shall maintain a tool for confidential reporting of Fraud concerns. An example of such a tool is the ETF Hotline where staff can anonymously report fraud, waste and abuse by phone, or a secure online portal administered by an independent third-party administrator. ETF Employees (that is, state employees including LTE and Project Employees) who report suspicions of Fraud are free from retaliation under Wisconsin's Whistleblower law.

Fraud Investigation and Mitigation

Reports of Fraud shall be promptly investigated. Investigations shall be conducted consistent with the agency's Fraud Response Plan and State law. Initial actions will focus on preventing further loss, preserving evidence, and obtaining an accurate incident report. ETF will diligently strive to recover improper payments or funds misspent due to Fraud.



Fraud Policy

Approved: November 10, 2020

Fraud Training and Awareness

ETF will provide annual training and periodic targeted communications to staff to increase Fraud awareness and to provide guidance on relevant topics, such as: how to identify Fraud, report Fraud, preserve evidence, and promptly mitigate losses after discovery of Fraud. In addition, ETF will communicate with WRS members and employers as needed to raise awareness or to address specific fraud concerns.

Exceptions

Any request for an exception to this Fraud Policy must be submitted to the Director of the Office of Internal Audit, who will consult with the ETF Secretary, Deputy Secretary, or Assistant Deputy Secretary.

Authority and References

- [ETF Internal Control Plan](#)
- [Chapter 230, Subchapter III, Employee Protection](#)
- [Chapter DWD 224 \(Whistleblower Protection\)](#)
- [Work Rules and Code of Ethics](#)

Policy Ownership

Adopted	Reviewed or Revised	Approving Body	Reviewing Body	Document Owner
11-10-2020	NA	AMC	NA	Steve Hurley