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Correspondence Memorandum

Date: February 22, 2022

To: Audit Committee

From: Michelle Hoehne, Auditor
Office of Internal Audit (OIA)

Subject: Third-Party Administrator Contract Compliance Review Results – Income Continuation Insurance

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

The Department of Employee Trust Funds (ETF) retained Wipfli LLP to conduct an agreed-upon procedures review of The Hartford, the administrator for the Income Continuation Insurance (ICI) program, for calendar years 2018-2020. The review was completed in accordance with the Statement of Work created by ETF program staff, with assistance from OIA. Wipfli’s review included recommendations for The Hartford regarding training and oversight on claim processing, performing internal reviews on a sample of claims and documents processed, and reconciliation between variances in quarterly and annual claim reports. The Hartford has taken steps to address all of the recommendations made by Wipfli.


The results of this review were presented to the Group Insurance Board (GIB), which has oversight of the ICI program, at the February 16, 2022 meeting. The results were presented for informational purposes only and no Board action pertaining to the review was requested. GIB members did not voice any concerns or bring up any items for discussion pertaining to the review results.

Attached is the memo provided to GIB members, including the results of the review and the Statement of Work. Staff will be available at the Audit Committee meeting to provide an overview and answer any questions.

Attachment: Agreed Upon Procedures Review Results for State and Local ICI Program Contract Compliance; includes

- Memo to GIB
- Report on Applying Agreed Upon Procedures 2018-2020
- Report on Service Auditors’ Reports and Call Center Staff Training
- Statement of Work

Reviewed and approved by Yikchau Sze, Director, Office of Internal Audit
Electronically Signed 3/9/22



Board	Mtg Date	Item #
AUD	3.24.22	7



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Correspondence Memorandum

Date: January 21, 2022

To: Group Insurance Board

From: Jim Guidry, Bureau Director
 Benefit Services Bureau
 Division of Retirement Services

Subject: Agreed Upon Procedures Audit for the State and Local Income
 Continuation Insurance Program Contract Compliance

This memorandum is for informational purposes only. No Board action is required.

Background

The Income Continuation Insurance (ICI) Program is a voluntary, self-insured, income replacement program available to all WRS-enrolled state employees and employees of all local government entities that elect to participate in the program. The ICI program is authorized by Wis. Stat. §40.62 and is currently administered by The Hartford. The program offers both short-term and long-term benefits for employees who develop disabilities that prevent them from working, either temporarily or permanently. All state employers are required to participate, while participation is optional for local employers. The ICI program is funded solely by employer and employee premiums and investment returns. The ICI program will pay benefits to any insured individual who becomes disabled while employed by a WRS-participating employer.

ICI will pay up to 75% of average monthly earnings. There are two types of coverage, Standard and Supplemental. Highlights of both coverage types are outlined below.

Standard Coverage

- Covers up to \$64,000 of annual earnings.
- The maximum benefit is \$4,000 per month.
- Premiums are shared by employers and employees.

Supplemental Coverage

- Available to employees whose annual salary exceeds \$64,000.
- Covers between \$64,000 and \$120,000 of annual earnings.
- The maximum benefit, combined with the benefit payable under Standard coverage, is \$7,500 per month.

Reviewed and approved by Matt Stohr, Administrator, Division of Retirement Services
 Electronically Signed 01/28/2022

Matt Stohr

Board	Mtg Date	Item #
GIB	2.16.22	10A

- Supplemental coverage premiums are paid entirely by the employee.

ICI benefits are payable until the recipient turns age 65 (with some exceptions), recovers, returns to full-time work, or dies, whichever occurs first. A \$75 supplemental benefit is added to the monthly benefit amount when the benefit transitions from short-term to long-term ICI after one year.

ICI benefits will not duplicate certain benefits available from other sources, including the WRS, Social Security Administration, workers' compensation, and unemployment compensation. Duplicate benefit payments must be paid back to the ICI program and are typically recovered as offsets from current benefit payments.

Audit Engagement

ETF engaged Wipfli, LLC to review The Hartford's compliance with procedures specified in the attached Statement of Work (Attachment B). Wipfli has been performing this triennial review of the ICI program since the 2008 ICI program year.

Wipfli's review was not a complete contract compliance audit of all processes performed by The Hartford, but rather an Agreed Upon Procedures (AUP) review focused on specific processes described in the Statement of Work after consulting with ETF.

Audit Scope

The Statement of Work for the AUP listed the procedures to be reviewed by Wipfli. These included reviewing claims intake processes, required reports testing, enrollment application processing, paid claims testing, denied claims testing, and calculation of overpayments.

ETF and Wipfli agreed to the appropriate sample sizes for their review. 80% of claims reviewed were to be state ICI plan claims and 20% were local ICI plan claims. ICI data was provided to Wipfli by ETF and The Hartford.

Findings and Recommendations

Approved Claims Testing

Wipfli reviewed 180 claims and determined that three claim cancellation letters and one approval letter were not forwarded to claimants. Additionally, for four claims examined, Wipfli found that some documents were not scanned into myETF. There was no impact to benefit payments due to these exceptions.

Denied Claims Testing

Wipfli reviewed 30 denied claims and determined that one denial letter was not provided to the claimant.

Enrollment Testing

Wipfli reviewed 60 enrollment elections submitted by employers that resulted from a combination of initial hires, deferred enrollments, and evidence of insurability

applications. Wipfli determined that one acceptance and approval form was not available for review and was, therefore, not able to determine if it had been sent to the applicant as required.

Overpayment Testing

Wipfli reviewed 30 overpayment determinations made by The Hartford and found no exceptions.

Required Reports Testing

Wipfli reviewed reports provided by The Hartford. Per ETF's request, Wipfli examined a sample of Monthly Funding, Monthly Deduction, and Quarterly Claims Financial Statistics reports.

For the claims examined from the selected Funding reports (36 claims) and the Deduction reports (27 claims) Wipfli found no exceptions.

ETF requested that Wipfli compare the Claims Financial Statistics reports to the ICI Annual Report prepared by The Hartford. Wipfli found variances in two of the three years examined. (Specifically, the results of the comparisons were \$0.00 for 2018, \$153,396 for 2019, and \$802,741 for 2020.)

Recommendations

Wipfli's review made the following recommendations:

1. The Hartford should implement additional training and oversight on claim processing. The Hartford indicated that the documents that were not sent or imaged were due to newer analysts not being familiar or experienced enough with the process. The Hartford has agreed to enhance the mentoring period for new analysts and increase the number of internal monthly audits of claims processed.
2. The Hartford should conduct internal reviews of documents processed by claims analysts to ensure that they are being imaged into ETF's enterprise content management system (ECM). ETF's switch to the new OnBase ECM system will enable The Hartford to review and update its procedures. The Hartford is not currently able to independently upload documents into OnBase directly due to technology issues on ETF's side. Once this capability is in place, it should reduce the number of documents that do not get imaged. Prior to this implementation, The Hartford will also increase the number of monthly reviews to ensure that documents are getting imaged into OnBase.
3. The Hartford should reconcile the variances between the quarterly Claims Financial Statistics reports and the Annual report. According to The Hartford, these variances are due to the timing of when these reports are generated. Since the Claims Financial Statistics report is generated on a quarterly basis, it does not reflect various adjustments that occur after the quarterly report has

concluded. These adjustments can include retroactive benefit payments, under or overpayment adjustments, and benefit corrections. At ETF's request, The Hartford reran both the Claims Financial and the Annual reports data at the same time and the variances were no longer present. The Hartford will also prepare its fourth quarter Claims Financial report at the same time (post-adjustment) as the Annual report so that the same set of adjusted data can be used for both reports. The Hartford's fourth quarter report will also show adjusted data for the previous three quarters.

Wipfli's Review of The Hartford's Service Auditor Reports and Call Center Training

Wipfli also reviewed The Hartford's Independent Service Auditors' Reports on Management's Description of its System and the Suitability of the Design and Operating Effectiveness of Controls (Type 2 SOC 1 reports) covering the period from April 1, 2017 through September 30, 2020. This report is an independent assessment of internal controls and effectiveness. The report listed testing exceptions related to:

- Systems Development, Application Program, and Infrastructure Change Management Controls;
- Scheduling and Computer Operations Controls;
- Claims Adjudication Controls;
- Plan Setup and Maintenance Controls; and
- Logical Access Controls.

Wipfli's review of The Hartford's SOC 1 reports contained no testing exceptions related to Application Controls associated with call center intake training. Procedural reviews of The Hartford's Call Center Staff training identified that The Hartford lacked a formal training tracker. Wipfli also identified as a potential risk that The Hartford's standard quality reviews and process confirmations of a sample of calls across their line of business did not include a guaranteed sample of ICI claims.

Conclusion

ETF agrees with Wipfli's recommendations and is satisfied that The Hartford's enhancements to training and mentoring of new analysts as well as increased claims process audits are a reasonable response to address the claim processing exceptions identified by Wipfli. At the time this memo was prepared, all of Wipfli's recommendations had been discussed with The Hartford and implemented or will be implemented at the appropriate time.

ETF will continue to evaluate the required monthly, quarterly, and annual reports submitted by the Hartford for usefulness and accuracy. Additionally, as the new insurance administration system (IAS) is implemented, there may be additional reporting capabilities available to both ETF via IAS and The Hartford via their Ability Advantage claim system.

Lastly, as Wipfli notes, the contract with The Hartford expired on December 31, 2021. On November 18, 2020, the Board approved a new contract with The Hartford beginning on January 1, 2022 and lasting for a period of five years with one two-year

extension. The new contract contains significant enhancements to the performance guarantees agreed to by The Hartford and are intended to provide ETF with greater oversight and more timely identification of emerging issues.

Staff will be at the Board meeting to answer any questions.

Attachment A: Independent Accountant's Report on Applying Agreed-Upon Procedures for Third Party Administration of the Income Continuation Insurance Benefit Program – 2018-2020, Wipfli, LLP

Attachment B: Report on Service Auditor's Reports and Call Center Staff Training for the Income Continuation Insurance Program – Wipfli, LLP

Attachment C: Statement of Work, Contract Compliance Audit of the State Income Continuation Insurance Program

State of Wisconsin - Department of Employee Trust Funds

Independent Accountant's Report on Applying Agreed-Upon Procedures
for Third Party Administration of the Income Continuation Insurance Benefit Program

Years Ended December 31, 2018, 2019 and 2020



WIPFLI

Independent Accountant’s Report on Applying Agreed-Upon Procedures for Third-Party Administration of the Income Continuation Insurance Benefits Program

Department of Employee Trust Funds
State of Wisconsin
Madison, Wisconsin

We have performed the procedures enumerated in Sections II and III of this report related to Hartford Life and Accident Insurance Company’s (“The Hartford”) (Third-Party Administrator) compliance with the Income Continuation Insurance Program (ICI) Administrative Agreement for the years ended December 31, 2018, 2019, and 2020. The Hartford’s management is responsible for its compliance with those specified requirements.

The State of Wisconsin - Department of Employee Trust Funds (“ETF”) has agreed to and acknowledged that the procedures performed are appropriate to meet the intended purpose of assisting users in determining whether the entity complied with the specified requirements. This report may not be suitable for any other purpose. The procedures performed may not address all the items of interest to a user of this report and may not meet the needs of all users of this report and, as such, users are responsible for determining whether the procedures performed are appropriate for their purposes.

Our procedures and findings are described in Sections II and III of this report.

We were engaged by ETF to perform this agreed-upon procedures engagement and conducted our engagement in accordance with attestation standards established by the American Institute of Certified Public Accountants. We were not engaged to and did not conduct an examination or review engagement, the objective of which would be the expression of an opinion or conclusion, respectively, on compliance with specified requirements. Accordingly, we do not express such an opinion or conclusion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

We are required to be independent of The Hartford and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements related to our agreed-upon procedures engagement.

This report is intended solely for the information and use of ETF and is not intended to be and should not be used by anyone other than this specified party.

A handwritten signature in black ink that reads "Wipfli LLP". The signature is written in a cursive, flowing style.

Wipfli LLP
Madison, Wisconsin

November 22, 2021

Section I – Objectives and Scope

Objectives and Scope

This section of our report is based on the agreed-upon procedures as set forth in the Request for Proposal dated October 17, 2018 and Wipfli proposal dated November 28, 2018. Certain other specific procedures including the desired sample size were discussed with ETF personnel in advance of performance.

A. Background - Income Continuation Insurance Program

The ICI Program was authorized by Wisconsin Statute Section 40.62 and is an optional benefit that replaces up to 75% of a participant's salary if the participant is unable to work because of a disability. The plan is available to all State of Wisconsin employees and all local government employees whose employers have elected to participate in the program. Depending on the participant's age at the time of the disability, benefits may continue until age 70, but normally end at age 65.

The Program is administered by The Hartford (which acquired Aetna's U.S. Group Life and Disability business), who is under contract to provide such services through December 31, 2021. Under the administrative agreement between ETF and The Hartford, The Hartford is responsible for recordkeeping, payment processing, and daily administrative services. ETF is responsible for program administration and oversight.

B. Previous Examinations

The ICI Program was last tested for contract compliance for the period January 1, 2015 through December 31, 2017.

C. Objectives

Our engagement was designed to assist ETF in determining The Hartford's compliance with specified terms of the administrative agreement, adherence to established performance standards and maintenance of participant records and processing claims timely, accurately, and in accordance with regulatory and contractual requirements, as established by ETF, who is responsible for the sufficiency of the procedures for their purposes. In addition, we were engaged to issue a written report that describes the procedures applied and the related findings.

D. Scope

Our engagement extends to the application of the procedures enumerated in Sections II and III of this report. We applied these procedures to the records and systems maintained by The Hartford and ETF. Our procedures were applied to the years ended December 31, 2018, 2019, and 2020.

Section II – Income Continuation Insurance Procedures and Results

Income Continuation Insurance Procedures and Results

Approved Claims Testing

Under the administrative agreement, The Hartford is responsible for the approval and denial of all claims received and is responsible for reporting approvals and denials to ETF on a periodic basis.

Procedures

1. Obtained a report of all approved ICI claims for 2018, 2019 and 2020.
2. Randomly selected 60 approved claims per year (80% State ICI and 20% Local ICI) for the years 2018, 2019, and 2020. Sample size was determined based on our discussions with ETF personnel.
3. For selected claims:
 - a. Observed introductory packets were sent to participants and sent timely.
 - b. Observed that the participant was properly enrolled as a Program participant by inspecting the enrollment form.
 - c. Observed that the claim was filed within 12 months of the date of disability.
 - d. Inspected the Employer Statement to ensure it was complete and justified the approval of the claim.
 - e. Mathematically checked the benefit calculation for accuracy and observed that it had been reviewed by an analyst.
 - f. Observed that approval letters were sent to participants and sent timely in accordance with the administrative agreement.
 - g. Observed that copies of approval letters and other participant correspondence were scanned into the ETF system.
 - h. Observed that offsets were properly applied and required follow-ups were performed.
 - i. Inspected claim file for medical information, system notes, and other correspondence to determine that approval was valid and made in accordance with the plan requirements.
 - j. Observed that ongoing claims included ongoing case documentation, such as medical record updates, to document that the disability is ongoing, and that the participant should not return to work.

Income Continuation Insurance Procedures and Results

Results

Of the 180 approved claims selected for testing, 173 had no exceptions.

For three claims selected, form DTPA-600 was not properly sent to the participant (items f and g above), which is considered an exception. Form DTPA-600 is sent to the participant to notify them of their claim termination.

In addition, for one claim included in the exception grouping above, form DTPA-100 was not properly sent to the participant (items f and g above), which is considered an exception. Form DTPA-100 informs the participant of their approved claim benefit.

The exceptions related to forms not properly sent noted above represent 1.7% of the total sample.

For four claims selected, a combination of the forms DTPA-600, DTPA-2100, and DTPA-100 were not scanned into the MyETF system (item g above). Form DTPA-2100 is sent when a participant is transitioning from short term disability to long term disability, and there is a potential for the participant to return to work. The form is used to determine if the participant is capable of performing other types of substantial gainful activities. Forms DTPA-600 and DTPA-100 are defined above. This exception is a result of either The Hartford not properly sending the forms to ETF, or ETF receiving the forms and not properly scanning them into the MyETF system. The reason for the exception is not determinable based on the documentation available under the current processes.

The exceptions related to forms not properly scanned into the MyETF system noted above represent 2.2% of the total sample.

See Comments 1 and 2 in Appendix I.

Income Continuation Insurance Procedures and Results

Denied Claims Testing

Under the administrative agreement, The Hartford is responsible for the approval, denial, or cancellation of all claims received, and is responsible for reporting approvals, denials, or cancellations to ETF on a periodic basis.

Procedures

1. Obtained a report of all denied ICI claims for 2018, 2019 and 2020.
2. Randomly selected 10 denied claims per year (80% State ICI, 20% Local ICI). Sample size was determined based on our discussions with ETF personnel and was evenly divided among the three testing years.
3. For selected claims, inspected claim file for medical information, system notes, participant correspondence, etc. to confirm that the denial was valid, made in accordance with the plan requirements, was communicated to the participant in a timely manner, and was adequately documented.

Results

Of the 30 denied claims selected for testing, 29 had no exceptions. For one claim selected, the file did not contain evidence that Forms DTPA-900 and DTPA-600 were sent to the participant. Forms DTPA-900 and DTPA-600 communicate the denial status of the claim and the reason for the denial.

The exception represents 3.3% of the total sample.

See Comment 1 in Appendix I.

Income Continuation Insurance Procedures and Results

Enrollment Testing

There are several routes that potential participants can take to enroll in the ICI Program or elect to decline coverage. Under the administrative agreement, The Hartford is responsible for processing all enrollment claims and reporting the enrollments to ETF on a periodic basis.

Procedures

1. Obtained reports of open enrollment elections, initial offerings, new hire enrollments, and Evidence of Insurability (EOI) enrollments for the years 2018, 2019, and 2020.
2. Randomly selected 20 enrollment elections per year (80% State ICI, 20% Local ICI). Sample size was determined based on our discussions with ETF personnel and was evenly divided among the three testing years as well as between method of enrollment. Of the 20 enrollments selected each year, 5 were EOI.
3. For selected enrollments, observed MyETF system profiles to confirm participant eligibility and inspected required documentation confirming enrollment (or denial of enrollment) and elective coverage dates.

Results

Of the 60 enrollments selected for testing, 59 had no exceptions. For one claim selected, the form DTPA-905 could not be located. Form DTPA-905 communicates acceptance and approval and informs the participant of entry into the plan. With no documentation in the system, it is not possible to observe if this form was properly sent.

The exception represents 1.7% of the total sample.

See Comment 1 in Appendix I.

Income Continuation Insurance Procedures and Results

Overpayment Testing

Under the administrative agreement, The Hartford is responsible for monitoring, calculating, and processing overpayments resulting from a variety of causes.

Procedures

1. Obtained reports of all overpayments processed for the years 2018, 2019, and 2020.
2. Randomly selected 10 overpayments processed per year (80% State ICI, 20% Local ICI). Sample size was determined based on our discussions with ETF personnel and was evenly divided among the three testing years.
3. For selected overpayments, viewed the communication to the participant, mathematically checked the overpayment calculation, and confirmed the calculation was audited by a second staff member in the MyETF system. In addition, confirmed that participant follow up was performed and deductions were processed timely through The Hartford's system.

Results

Of the 30 overpayments selected for testing, there were no exceptions.

Section III – Review of Required Reporting

Review of Required Reporting

Required Reporting – Monthly Funding Reports

Under the administrative agreement, The Hartford is required to provide monthly Funding Reports (invoices and excel claim files). These reports include information on the amount ETF owes The Hartford for claims paid during the given month, adjusted for certain minor transactions.

Procedures

1. Obtained a sample of 2018, 2019, and 2020 monthly invoice and claim data files for state and local (a sample of three months per year, which includes one state and one local per month, was selected based on discussions with ETF).
2. Traced and agreed the total of the claim data excel file to the total per the invoice.
3. Within each month of the sample obtained above, selected a random sample of two payments per month, resulting in a sample of 36 payments. Sample was determined based on discussions with ETF. For each sample, the following was performed:
 - a. Traced and agreed the payment amount per the funding report to the corresponding check stub in The Hartford's system.
 - b. Mathematically observed the payment calculation for accuracy.
4. Inquired with The Hartford's accounting department regarding the tax payment process. Traced and agreed the total employee and employer tax liability per the invoice to the corresponding tax query.
5. Through enrollment and approved claims testing, observed that coverage effective dates, eligibility requirements, and benefit amounts procedures were valid.

Results

Of the 36 payments selected for testing, there were no exceptions.

Review of Required Reporting

Required Reporting – Deduction Reports

Under the administrative agreement, The Hartford is required to provide monthly deduction reports. These reports include information on the participant deductions processed during the corresponding month.

Procedures

1. Obtained a sample of the 2018, 2019, and 2020 deduction reports (a sample of three months per year was selected based on discussions with ETF).
2. From each month, three participants were selected equating to a total sample size of 27 participants (80% State ICI, 20% Local ICI).
3. For each deduction, the following procedures were performed:
 - a. Inspected the participant's profile in the MyETF system and observed the reason for the deduction was consistent with the Plans' policies.
 - b. Observed the payment date fell within the range of coverage dates for the deduction.
 - c. Traced and agreed the deduction amount per the deduction report to the pay stub per The Hartford's system.
 - d. Observed the state/local classification per member.

Results

Of the 27 participants selected for testing, there were no exceptions.

Review of Required Reporting

Required Reporting – Claims Financial Statistics

Procedures

1. Obtained the 2018, 2019, and 2020 quarterly claims financial statistics reports.
2. Obtained the 2018, 2019, and 2020 annual ICI reports.
3. Compared items one and two above.
4. Inquired with The Hartford on the administration process for the data gathering, report processing, and historical data snapshots.

Per inquiry with The Hartford, it was determined that the annual report and claims financial reports are created based on an initial driver of payments in the reporting period. Both reports originate from the same source data from The Hartford Ability Advantage. The claims financial reports provided are generated at a point in time (at the end of each quarter) based on the payment transactions that have occurred during the previous quarter. However, the quarterly reports do not include any payment or claim adjustments that occur post quarter end. The annual reports provided are generated at year end, and include all payment transactions, including adjustments from prior quarters. The Hartford indicated that because the quarterly and annual reports are generated at different points in time, the amounts reported will not match for the more recent years.

The following variances were identified when comparing the total claims financial statistics report to the ICI annual reports.

Year	ICI Annual Report	Claims Financial Statistics Report	Variance (\$)	Variance (%)
2018	\$18,529,727	\$18,529,727	\$0	0.00%
2019	\$19,313,665	\$19,467,061	(\$153,396)	0.79%
2020	\$18,756,656	\$17,953,915	\$802,741	4.45%

See Comment 3 in Appendix I.

Appendix I – Comments and Recommendations

Comments and Recommendations

Comment 1

It was noted that for five claims, the claims were not processed correctly, resulting in forms not being sent to participants. The cause of the exceptions is not determinable.

Wipfli recommends the following procedures to address this type of exception:

- 1) The Hartford may implement additional training and oversight on claim processing. This can include more frequent training, specific training on known complex areas, or an additional level of review. Increased training and review can assist in identifying areas that need additional attention, whether a particular department or claim type.
- 2) The Hartford internal review – Perform internal reviews on a sample of claims. The review should be completed by an employee who is separate from the processing of the claim. The frequency and sample size will depend on the number of claims processed and may be performed at least annually.

Comment 2

It was noted that for four claims, the forms were not properly scanned into the MyETF system. Based on the documentation available under the current processes, the cause for the exceptions are not determinable, however the impact is less severe as the forms have been sent to participants. Current procedures are as follows: The Hartford claim analysts process the various forms, which includes sending these forms to the administrative assistants who are responsible for sending the forms to MyETF. The means of transfer include mailing and faxing. ETF receives the forms and scans them into the MyETF system.

Wipfli recommends the following procedures to address this type of exception:

- 1) The Hartford internal review – From a listing of all ETF documents processed, select a sample of forms and confirm with ETF if the form was received and scanned in appropriately. In addition, the claims analysts may select a sample of forms processed during a period of time, and review with the administrative assistants if the forms were properly sent. The frequency and sample size will depend on the number of documents processed and may be performed at least annually.

Comment 3

It was noted that there were variances when comparing the total quarterly claims financial reports to the ICI annual reports. We recommend that The Hartford provide a reconciliation between the quarterly reports and the annual report.

State of Wisconsin – Department of Employee Trust Funds

Report on Service Auditors' Reports and Call Center Staff Training for the
Income Continuation Insurance Program



WIPFLI

Executive Summary

November 22, 2021

State of Wisconsin – Department of Employee Trust Funds
Madison, Wisconsin

In accordance with the Request for Proposal dated October 17, 2018, and our proposal dated November 28, 2018, and based on discussions with the State of Wisconsin Department of Employee Trust Funds (ETF) management, we have read the Service Auditors' Reports and made inquiries regarding call center staff training related to the Income Continuation Insurance (ICI) Program administered by Hartford Life and Accident Insurance Company (The Hartford) on behalf of ETF. This engagement was not intended to be, and was not, considered an audit or fraud examination because of the restricted nature and limited scope of the procedures performed.

Overview

To achieve the objectives of this engagement, we completed discussions with key staff at The Hartford and ETF and observed certain documentation.

Results of our observations and recommendations relied on, and are dependent on, the completeness and accuracy of information provided by The Hartford and ETF without independent verification.

Reporting Results of Procedures

A summary of the results of the control procedures is included in the Objectives, Procedures and Results section of this report.

The information presented in this report is designed to identify and prioritize selected financial and operational risks.

Distribution of this report by the specified parties to other third parties does not constitute designation of those third parties as "users" or "specified parties" with respect to this report or the matters addressed herein, nor does it permit those third parties to use or rely on this report for any purpose.

This engagement was performed in accordance with the Statement on Standards for Consulting Services as issued by the American Institute of Certified Public Accountants. This information is intended solely for the information and use of The Hartford and ETF in relation to the results of procedures performed pursuant to the engagement letter. It is not intended to be, and should not be, reproduced, published, or distributed to anyone other than these specified parties or for any other purpose without the prior written consent of Wipfli LLP (“Wipfli”).

We look forward to our continued association and appreciate the opportunity to be of service. Please do not hesitate to contact Wipfli if you have any questions or concerns regarding information contained in the accompanying report.

Wipfli LLP

Wipfli LLP

Review of Service Auditors' Reports and Call Center Staff Training

Objectives, Procedures and Results

Objectives

1. Inspect the Service Auditors' Reports for exceptions, deficiencies, and the overall opinion expressed on the effectiveness of the controls described.
2. Obtain an understanding of the procedures and controls surrounding The Hartford's training of the call center staff related to the intake of the State of Wisconsin claims.

Procedures

1. Discussed with appropriate personnel the flow of information within ETF; within The Hartford; and between ETF and The Hartford.
2. Obtained and inspected the Independent Service Auditors' Report on Management's Description of its System and the Suitability of the Design and Operating Effectiveness of Controls reports on internal controls and effectiveness ("SOC 1") for The Hartford covering April 1, 2017 through September 30, 2020.
3. Obtained and read The Hartford manuals and procedures for training of intake staff center employees.

Results – Service Auditors' Reports

Based on our inquiries, analysis of these processes, and our professional judgment, we assessed the potential for control risks.

Hartford engages a public accounting firm to assess the controls of its Disability Management Services' Self-Funded Operations through a Type 2 SOC 1 report. The Type 2 SOC 1 reports covering April 1, 2017 through September 30, 2020 for The Hartford contained certain testing exceptions related to the following that were identified by the Service Auditor:

- Systems Development, Application Program, and Infrastructure Change Management Controls
- Scheduling and Computer Operations Controls
- Claims Adjudication Controls (see further explanation below)
- Plan Setup and Maintenance Controls
- Logical Access Controls

The SOC 1 reports contained no testing exceptions related to Application Controls pertaining expressly to call center intake training. However, one SOC 1 report did have an exception related to claims adjudication. KPMG reported that of the 26 denied, suspended, or terminated claims selected for testing (population was all claim types), there was one instance where the claim (claim type not provided) was not approved by an appropriate level of management and was not a situation that excluded the requirement to be approved by an appropriate level of management.

Review of Service Auditors' Reports and Call Center Staff Training

Results – Service Auditors' Reports (Cont.)

The reports also specified a number of controls that user organizations should have in place to achieve the control objectives contained in the SOC 1 reports. ETF maintains documentation addressing each of the user level controls in the SOC 1 reports.

Results – Intake Call Center Training

Policy: New hires receive four weeks of virtual training (five weeks for long-term disability claims) and two additional weeks of participation in a live work learning lab. The Customer Contact Center leaders work closely with the designated contacts to create a training that can be conducted in team huddles. After the training is completed, new hires begin on-the-job training with a mentor for up to a year. All claim intake work for the year is reviewed by the mentor, and corresponding feedback is provided. After the first year, ongoing training is implemented through workshops, online tools, courses, educational materials, and ongoing updates. Team leaders perform standard quality reviews and process confirmations each month. These reviews contain a sample of calls; therefore, it is not guaranteed that the review sample will include ETF calls. However, adherence to the ETF process specifics is continually monitored and real-time feedback is provided.

Potential Risks:

- 1) Training tracker – Currently, there is no formal training tracking system in place. Given the number of employees, employee turnover, and routine training updates, it is possible that parts of training may be inadvertently missed, which can result in an increased risk of improper procedures being followed.
- 2) Guaranteed sample review – Currently, The Hartford performs standard quality reviews and process confirmations each month on a sample of calls. However, there is no guarantee that ETF intake calls are included in that sample therefore there is a risk that the ETF intake call review is not being done consistently. This also results in an overall increased risk in improper procedures and protocols if errors are not caught timely.

Attachment A

Contract Compliance audit of the State Income Continuation Insurance Program, administered by The Hartford, to begin in March 2021 and cover calendar years 2018, 2019 and 2020.

A. Statement of Work

The Income Continuation Insurance (ICI) compliance audit will include the following procedures:

1. Internal Controls – Limit internal control/process review to:
 - Training of call center staff in regard to intake of State of Wisconsin claims
2. Required Reports Testing (*See Attachment A of the contract with The Hartford*)
 - Review monthly Funding Reports (invoices and claim files) for accuracy
 - Review the Claims Financial Statistics Reports for accuracy and compare it to the “Active Claim Summary” in the ICI Annual Report for consistency
 - Review Deductions Report for completeness and accuracy
 - Test the source data for these three reports
3. Enrollment Testing
 - Test to ensure applications are complete and processed consistently according to ETF’s defined procedures
 - Population for testing: new enrollees during the years covered by the audit; new enrollees could be new hires or employees that enrolled through deferred enrollment or Evidence of Insurability (EOI).
4. Paid Claims Testing (all components: intake, case management, recordkeeping, closure)
 - Test to ensure that claims are properly approved and adequately documented, benefits are properly calculated and paid, offsets properly applied (including instructing members to apply for WRS disability and SSDI and completing the required follow-ups) referrals made for overpayment calculations (if applicable), on-going medical information is obtained throughout the life of the claim (as needed) and claim determinations are communicated to the participants in a timely manner.
5. Denied Claims Testing (all components: intake, case management, recordkeeping, closure)
 - Test to ensure that claims are denied for valid reasons, adequately documented and properly communicated to the participant in a timely manner.
6. Calculation of overpayments and initiation of recovery from existing ICI benefits (if applicable)
 - Verify that the calculations have been audited by a 2nd TPA staff member
7. The Contractor will develop statistically significant sample sizes for the items below which must be approved by the Department prior to the start of the audit.
 - Enrollments (with a separate sample size for EOI applications)
 - Paid Claims
 - Denied Claims
 - Overpayment calculations

Eighty percent (80%) of the total sample size for each category should consist of State ICI claims, and the remaining twenty percent (20%) should be Local ICI claims.