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Correspondence Memorandum

Date: March 1, 2018

To: Employee Trust Funds Board

From: Bonnie Cyganek, Director
 Bureau of Budget, Contract Administration & Procurement

Subject: Procurement of Contract Compliance Audit Services

ETF recommends the Employee Trust Funds Board (Board) delegate its authority to solicit proposals for and contract with qualified firms to perform contract compliance audits of third-party administrators and service providers under contract with the Department of Employee Trust Funds (ETF) to the ETF Secretary.

ETF contracts with various third-party administrators (TPAs) to administer certain benefit programs or portions thereof, and with vendors for the provision of other direct and supportive services to ETF programs. Compliance audits are used to ensure adherence to contract terms and conditions as well as compliance with applicable statutes, rules and regulations. Audits also provide assurance that benefit programs are being administered effectively and efficiently.

It is a best practice to periodically have the contract performance of vendors reviewed by independent experts. The Department believes these compliance audits should be performed every one, two, or three years – depending on the nature of the program and experience with the vendor being audited. This audit function often requires specialized expertise unavailable within ETF.

ETF plans to issue a consolidated competitive solicitation for proposals for contract compliance audit services for the programs and service contracts identified in Table 1.

Table 1 outlines the pertinent programs and services, respective contractor, the current audit firm and the audit contract expiration date.

Reviewed and approved by Pamela Henning, Assistant Deputy Secretary

Pamela L Henning

Electronically Signed 3/13/18

Board	Mtg Date	Item #
ETF	3.29.18	5C

Table 1. ETF Contract Compliance Audit Services Overview

Program/Service	Contractor	Current Audit Firm <i>w/date current contract expires</i>
Income Continuation Insurance	Aetna	Wipfli December 2018
Pharmacy Benefit Manager	Navitus	TRICAST April 2018
Employee Reimbursement Accounts	TASC	Wipfli December 2017
Health Savings Accounts <i>w/High Deductible Health Plan</i>	TASC	Wipfli December 2017
Life Insurance	Securian	Wipfli May 2019
Uniform Dental	Delta Dental	TBD
Wellness & Disease Management	StayWell	TBD
Data Warehouse	Truven	TBD
Group Health Insurance Program <i>10 fully-insured health plans and 1 Medicare Advantage plan</i>	Multiple	TBD
Wisconsin Deferred Compensation	Empower Retirement	Wipfli June 2019

A consolidated approach to procuring these services is appropriate for the following reasons:

- A review of recent ETF contract compliance audit requirements indicates the audit process is similar for many ETF benefits.
- The same vendors have often responded to contract compliance Requests for Proposals (RFPs) in the past for multiple programs.
- A consolidated approach is a more efficient use of internal resources and allows for the evaluation of a variety of providers in the marketplace.

A consolidated RFP of this nature was also conducted in 2009 for a subset of the programs in the Table 1.

If approved by the ETF Board, ETF expects to issue an RFP for contract compliance audit services in late summer or fall 2018. Interested vendors will have the flexibility to submit a proposal on one program/service, any combination, or all programs/services listed above. Proposals will be evaluated by a committee(s) of subject matter experts. Contracts will be awarded to the vendors that provide the best value for each of the programs/services.

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ETF anticipates that contracts will be structured with an indefinite term, with an annual assessment of contract performance to determine continuation, until either party provides an appropriate notice of intent to cancel. The need to issue a new RFP for these services will be evaluated on a two- to three-year cycle or anytime upon Board request. The results of the contract compliance audits will continue to be presented to the individual Board with oversight over the specific benefit program.

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