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Correspondence Memorandum

Date: May 24, 2019
To: Employee Trust Funds Board
From: Eileen Mallow, Director
 Office of Strategic Health Policy
Subject: Update on the Wisconsin Legislative Audit Bureau (LAB) Audit

This memo is for information purposes only. No Board action is required.


The LAB Audit report 19-2, *Administration and Oversight of Group Insurance Programs*, was issued in February 2019 and identified a number of opportunities for improving program oversight. In Section 2 of the attached workplan, key findings from the audit report related to Board oversight are identified, with a suggested approach from ETF. We are seeking Employee Trust Fund Funds Board and Group Insurance Board (GIB) guidance regarding information they would like in order to improve oversight of group health insurance, life insurance and disability programs, consistent with recommendations from the audit. ETF will also continue to address potential changes to address the remaining findings.

As of May 24, 2019, the status of the 33 issues raised in the report are as follows:
 8 – Completed
 24 – In Progress
 1 – Not yet started

ETF is on track to submit a written report showing ETF’s progress on implementing the audit recommendations to the Joint Legislative Audit Committee by November 22. The Board will continue to receive updates on progress. The draft response to the Committee will be shared with the GIB for comments at the November 15 meeting.

Staff will be available at the meeting to address any questions.

Attachment: Table of Audit Concerns

Reviewed and approved by John Voelker, Deputy Secretary

 Electronically Signed 6/7/19

| Board | Mtg Date | Item # |
|-------|----------|--------|
| ETF | 6.20.19 | 5D |

ETF Report to Joint Legislative Audit Committee (JLAC) Management Plan

DRAFT - Not Final

Date: 4/16/2019

| Audit Finding | | Page # | Due Date | Status |
|---------------|--|--------|----------|--------------------|
| 1. 0. | Staff Time Tracking | | | In Progress |
| 1. 1. | ETF Require Staff who work on individual group insurance programs to track on an ongoing basis the amount of time they used to complete work for each group insurance program | 19 | 10/15/19 | In Progress |
| 2. 0. | Group Health Insurance Program (GHIP) | | | In Progress |
| | Administration | | | |
| 2. 1. | ETF consistently prepare and provide the GIB with the results of its written analyses of recommendations from consultants for the Group Health Insurance program | 29 | 8/21/19 | In Progress |
| 2. 2. | ETF work with the GIB to establish intended outcomes for changes to the GHIP | 31 | 8/21/19 | In Progress |
| 2. 3. | ETF annually assess progress toward achieving these intended outcomes and provide the results of these assessments to the GIB | 31 | 5/20/19 | In Progress |
| 2. 4. | ETF work with the GIB to ensure contracts sufficiently specify how to calculate performance measures | 34 | TBD | Not Started |
| 2. 5. | ETF consistently determine whether firms achieved contractually specified performance measure goals and assess contractually specified financial penalties when firms do not achieve these goals | 34 | 11/20/19 | In Progress |
| 2. 6. | Report to the GIB on the financial penalties it assesses | 34 | 11/20/19 | In Progress |
| | Reserves | | | |
| 2. 7. | ETF require the program actuary to take investment income into account when it recommends the amount of Group Health Insurance program reserves to spend | 42 | 8/21/19 | In Progress |
| 2. 8. | ETF require the program actuary to annually explain why the change in Group Health Insurance program reserves differed from the amount the GIB had voted to spend | 42 | 8/21/19 | In Progress |
| 2. 9. | ETF require the program actuary to provide the GIB with calendar-year information on Group Health Insurance program reserves | 42 | N/A | Completed |
| 2. 10. | ETF work with the GIB to establish a policy requiring periodic reviews of the target ranges for GHIP reserves and provide the results of these reviews to the GIB | 43 | 8/21/19 | In Progress |
| 2. 11. | ETF consistently prepare and provide the GIB with the results of its written analyses of key information about program reserves that was provided to the actuary for the GHIP | 45 | N/A | Completed |
| 2. 12. | ETF indicate in writing to the GIB if the program actuary makes a recommendation that is inconsistent with a prior GIB decision | 46 | 8/21/19 | In Progress |
| 3. 0. | Income Continuation Insurance (ICI) | | | In Progress |
| | Administration | | | |

**ETF Report to Joint Legislative Audit Committee (JLAC)
Management Plan**

DRAFT - Not Final

Date: 4/16/2019

| | Audit Finding | Page # | Due Date | Status |
|-----------------------|---|---------------|-----------------|--------------------|
| 3. 1. | ETF consistently provide the GIB with audit reports of the performance of the ICI program administrator and memoranda that accurately summarize these audit reports | 66 | N/A | Completed |
| Reserves | | | | |
| 3. 2. | ETF work with the GIB to establish target ranges for program reserves for the state and local components of the ICI program as well as a strategy and a timeline for achieving them | 71 | 11/20/19 | In Progress |
| 3. 3. | ETF work with the GIB to establish a policy requiring periodic reviews of the target ranges for ICI program reserves and provide the results of these reviews to the GIB | 71 | 11/20/19 | In Progress |
| 4. 0. | Group Health Insurance Program (GHIP) | | | In Progress |
| Administration | | | | |
| 4. 1. | ETF provide sufficiently detailed information in its memoranda to the GIB regarding the annual financial reports from the program administrator of the Group Life Insurance program | 78 | 8/21/19 | In Progress |
| Reserves | | | | |
| 4. 2. | ETF work with the GIB to establish target ranges for program reserves for the state and the local components of the Group Life Insurance program, as well as a strategy and a timeline for achieving them | 81 | 8/21/19 | In Progress |
| 4. 3. | ETF work with the GIB to establish a policy requiring periodic reviews of the target ranges for Group Life Insurance program reserves and provide the results of these reviews to the GIB | 81 | 8/21/19 | In Progress |
| 4. 4. | ETF assess whether the [Group Life Insurance] program administrator or the SWIB should invest program reserves and provide the results of this assessment to the GIB | 81 | 8/21/19 | In Progress |
| 5. 0. | IT Security | | | In Progress |
| 5. 1. | ETF work with the GIB to establish sufficient policies pertaining to audits of information technology controls | 84 | N/A | Completed |
| 5. 2. | ETF collect all contractually required audits of information technology controls, review all submitted audits, and provide GIB with the results of the reviews | 85 | 8/21/19 | In Progress |
| 5. 3. | ETF ensure that the security awareness training it provides its staff adequately addresses the appropriate ways to securely communicate confidential information | 86 | 12/31/19 | In Progress |
| 6. 0. | GIB Oversight | | | In Progress |
| 6. 1. | ETF consistently provide the GIB with programmatic information at least one week before meetings | 90 | N/A | Completed |
| 6. 2. | ETF post on its website at least one day before a given meeting all nonconfidential information that the GIB will consider at that meeting | 90 | N/A | Completed |

ETF Report to Joint Legislative Audit Committee (JLAC) Management Plan

DRAFT - Not Final

Date: 4/16/2019

| | Audit Finding | Page # | Due Date | Status |
|--------------|---|---------------|-----------------|--------------------|
| 6. 3. | ETF compile additional information about the performance of program administrators, program actuaries, and auditors and provide this information to the GIB and the ETF Board | 92 | 8/21/19 | In Progress |
| 6. 4. | ETF work with the GIB and the ETF Board to determine the maximum durations of contracts with program administrators, program actuaries and auditors | 92 | N/A | Completed |
| 6. 5. | ETF to seek approval and direction from the GIB or the ETF Board before executing contract amendments for actuarial services | 92 | 5/15/19 | In Progress |
| 6. 6. | ETF establish a written plan to periodically contract for actuarial audits to assess the appropriateness of information provide by program actuaries and provide the GIB with the actuarial audit results | 93 | 12/31/19 | In Progress |
| 6. 7. | ETF assess options to improve the oversight of group insurance programs and provide the results of its assessment to the GIB | 95 | N/A | Completed |
| 7. 0. | Legislative Considerations | | | In Progress |
| 7. 1. | Recommended Statutes Change: Require ETF to provide to the Legislature by June 30 of each year information about program reserves for the state and the local components, including the amounts of program reserves as of December 31 of the prior two years and the reasons why program reserves had changed over that period of time | 47 | On-going | In Progress |
| 7. 2. | Recommended Statutes Change: Specify that the Administrator of DOA's Division of Personnel Management, or his or her designee, is a GIB member | 95 | On-going | In Progress |
| 7. 3. | Recommended Statutes Change: Require the four insured employee/participants GIB members participate in at least one of the group insurance programs overseen by GIB | 95 | On-going | In Progress |
| 8. 0. | JLAC Report | | | In Progress |
| 8. 1. | Draft Task Management Plan and Plan Overview | | 3/22/19 | Completed |
| 8. 2. | Schedule and host Kick-off Meeting | | 3/26/19 | Completed |
| 8. 3. | Finalize Task Management Plan and Plan Overview | | 4/26/19 | In Progress |
| 8. 4. | JLAC Report Planning and Check-in | | 4/26/19 | Not Started |
| 8. 5. | Finding Owners approve Task Management Plan | | 5/10/19 | Not Started |
| 8. 6. | Initiate writing of JLAC Report | | 9/30/19 | Not Started |
| 8. 7. | Finding Owners draft sections for JLAC Report | | 10/4/19 | Not Started |
| 8. 8. | Final draft of JLAC Report | | 10/18/19 | Not Started |
| 8. 9. | SO review and approve JLAC Report | | 10/29/19 | Not Started |
| 8. 10. | GIB presentation dry run practice with peers | | 10/30/19 | Not Started |
| 8. 11. | ETF Executives presentation of report before GIB | | 11/4/19 | Not Started |
| 8. 12. | Presentations Due | | 11/5/19 | Not Started |
| 8. 13. | JLAC Report presented to GIB | | 11/13/19 | Not Started |
| 8. 14. | GIB input/adjustments to JLAC Report (finalize report) | | 11/18/19 | Not Started |
| 8. 15. | JLAC Report due | | 11/22/19 | Not Started |