



State of Wisconsin  
Department of Employee Trust Funds  
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## Correspondence Memorandum

**Date:** May 11, 2017  
**To:** Group Insurance Board  
**From:** Yikchau Sze, Director  
Office of Internal Audit  
**Subject:** 2015-2017 Audit Plan Status

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

The following is a summary of the audit engagements completed or in progress and the status of other Office of Internal Audit (OIA) activities from November 17, 2016 through February 23, 2017. This information was presented to the Audit Committee of the Employee Trust Funds Board on March 23, 2017.

### Audit Engagements – Completed

- Withholding Tax Reporting and Tax Payment

### Audit Engagements – In-Progress

- Death Benefit Calculations and Distributions – Fieldwork in progress

### Other OIA Activities

- Reviewed and assessed Third Party Administrator audits
- Provided independent review of Market Recognition Account and Effective Rate calculations for the Division of Trust Finance (DTF)
- Reviewed Wisconsin Deferred Compensation Third Party Administrator contract and provided recommendations to improve the clarity and requirements of audit related language in the contract

Reviewed and approved by Robert J. Conlin, Secretary

Electronically Signed 5/17/17

Board	Mtg Date	Item #
GIB	5.24.17	10H

- Assisted Office of Strategic Health Policy in the audit contract extension for the benefit programs administrated by Total Administrative Service Corporation
- Reviewed and assessed audit results of the Penetration Testing, Vulnerability Scan and User Authorization Assessment of the Business Administration System conducted by AT&T
- Led and coordinated ETF's implementation of the internal Fraud, Ethics and Compliance hotline with a target go-live date on March 31, 2017
- Worked with DTF to develop and implement an integrated risk assessment approach for Audit Planning and Internal Control Plan
- Tracked open audit issues and report status of the open issues to the Audit Committee quarterly through the Open Audit Issue Report (see attached)

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

Attachment: Open Audit Issues Memo and Detailed Report



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## *Correspondence Memorandum*

**Date:** February 23, 2017

**To:** Audit Committee Members

**From:** Yikchau Sze, Director  
Office of Internal Audit

**Subject:** Open Audit Issues Report

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

Office of Internal Audit (OIA) updates the Open Audit Issues report quarterly based on status reported by management. Management is responsible for timely completion of actions that address audit findings. OIA is responsible for tracking progress reported by management and formally accept the closure of Internal Audit findings. The formal acceptance is achieved by performing follow-up audits to confirm the completion of corrective actions that are in place for one year.

### Open Audit Issues Summary

Audit	Management Corrective Actions					OIA Follow-up
	Closed	In Progress	To Be		Over Due	Acceptance Audit
Implemented			Total			
Office of Internal Audit						
Mobile Computing Device Audit	3	2	0	5	0	N/A
Income Continuation Insurance	6	3	2	11	1	N/A
Health Insurance Eligibility	5	1	1	7	0	N/A
WRS Employer Reporting	3	0	2	5	0	N/A
Full File Compare	3	1	0	4	0	N/A
OFAC Compliance	1	1	0	2	0	N/A
	21	8	5	34	1	

Compared with last quarter's status report, management closed two more corrective action items but one item from Income Continuation Insurance became overdue.

Attachment: Open Audit Issues Detailed Report

**Open Audit Issues Report as of February 2017**

**Audit Findings - Internal Audit**

<b>Audit</b>	<b>Report Date</b>	<b>Recommendations</b>	<b>Management Responses</b>	<b>Responsible Staff</b>	<b>Estimated Completion Date</b>	<b>Status</b>
<b>Mobile Computing Device Audit - Part I, Laptops and Tablets</b>	November 2014	Establish and document asset management processes	Update and improve IT assets tracking; develop asset tracking policy; Utilize IT Asset Management software provided by STAR	Steven Mueller	March, 2016	Closed
		Enhance controls over laptops dedicated for training	Inventory laptops dedicated for training; register loaner mobile devices		Nov, 2014	Closed
		Enhance security measure	ETF will leverage DET's security measure after completing ETF's infrastructure re-hosting project at DET and after DET finish its pilot project with DOR in April 2017		July, 2017	In progress
<b>Mobile Computing Device Audit – Part II, Removable Media Security</b>	January 2015	USB Port Functionality	Re-advertise ETF-Issued Computing Device Policy with potential of revisiting the issue after completion of the infrastructure re-hosting project at DET	Steven Mueller	July, 2017	In progress
		Compliance with Non-ETF Issued Personal Computing Device Policy	Train a second technician on the process; review and update procedures		April, 2014	Closed
<b>Income Continuation Insurance (ICI) Enrollment and Premium Reporting</b>	August 2015	<p>To be followed up by the Division of Retirement Services:</p> <ul style="list-style-type: none"> <li>- Enhance Third Party Administrator (TPA) management</li> <li>- Initiate external monitoring by having Wipfli include the enrollment process as part of its engagement</li> <li>- Implement a monitoring procedure for evidence of insurability (EOI) applications to ensure timely follow up</li> <li>- Apply the same rules for determining the coverage effective date across all enrollment opportunities</li> <li>- Provide additional employer training and update ICI employer administration manuals</li> <li>- Improve communication between the Disability Program Section (DPS) and Employer Services Section (ESS)</li> <li>- Establish an enrollment database</li> </ul>	See Action Plan in the report	Deb Roemer and Kathy Wienkes	<p>August, 2017</p> <p>Feb, 2016</p> <p>Jan, 2017</p> <p>June, 2017</p> <p>Manuals: March 2016</p> <p>Procedures: July 2016</p> <p>Nov, 2016</p> <p>Jan, 2018</p>	<p>In progress</p> <p>Closed</p> <p><b>Overdue</b></p> <p>In progress</p> <p>Closed</p> <p>Closed</p> <p>Closed</p> <p>In progress</p>

**Open Audit Issues Report as of February 2017**

**Audit Findings - Internal Audit**

Audit	Report Date	Recommendations	Management Responses	Responsible Staff	Estimated Completion Date	Status
<b>Income Continuation Insurance (ICI) Enrollment and Premium Reporting</b>	August 2015	To be followed-up by Division of Trust Finance:  - Add an adjustment column to the Monthly Premium Report  - Foot and cross-foot the Monthly Premium Reports  - Begin plans for the foundation of the BAS database needed by 1/1/18  - Calculate all premiums, employee and employer, uniformly (will happen when ETF begins invoicing employers with roll-out 2 of the BAS project planned for 1/1/18)	See Action Plan in the report	Bob Willett	May, 2016  September, 2015  Jan, 2018  Jan, 2018	Closed  Closed  In progress  Open
<b>Health Insurance Eligibility - Dependent Spouses &amp; Domestic Partners</b>	September, 2015	ETF proactively identify divorced health care participants by enhancing internal communications when a form is received that may indicate divorce or termination of a domestic partnership (DP) information	Division of the Retirement Service has taken the following actions  Added a component to its Domestic Relations Order procedure to have Member Services Bureau staff send a job to the Employer Services Section after they review WRS related divorce documents to make sure the changes are made to the health insurance coverage. Also DRS added content to ET-4928, the form that ETF sends to acknowledge the receipt of a Domestic Relations Order, stating that it is the member's responsibility after divorce or a termination of a DP to notify their employer so their former spouse or domestic partner can be removed from their insurance coverage  Inquired about the feasibility of using queries from the Wisconsin Circuit Courts Access (WCCA) System for data cross checking and concluded that the use of WCCA does not appear to be practical.	Kathy Wienkes - ESS	Oct, 2017	Closed (as of Feb 2016)

**Open Audit Issues Report as of February 2017**  
**Audit Findings - Internal Audit**

<b>Audit</b>	<b>Report Date</b>	<b>Recommendations</b>	<b>Management Responses</b>	<b>Responsible Staff</b>	<b>Estimated Completion Date</b>	<b>Status</b>
<b>Health Insurance Eligibility - Dependent Spouses &amp; Domestic Partners</b>	September, 2015	ETF improve communication, education, and increase awareness of compliance requirements	The Employer Services Section (ESS) will ensure this topic is included in the 2017 IYC open enrollment period materials.	Kathy Wienkes - ESS	Nov, 2016	Closed
			Additionally, ESS will work on getting this topic highlighted in all future communications on the ETF website. This will include revisions to both the state and local health insurance employer administration manuals.			Closed
			the Office of Strategic Health Policy (OSHP) and ESS plan to work with DOA for potential work rule mandate of timely coverage removal upon divorce or there qualifying event. OSHP also plans on reviewing and potentially modifying both the state and local health insurance contracts with health providers to provide that timely notice of qualifying event must be given to the employers.	Lisa Ellinger - OSHP	Nov, 2017	<b>Open</b>
		ETF enhance communication and provide clear instructions to employers to improve COBRA compliance	ESS is currently providing training through webinars on COBRA compliance to employers. However, ESS plans to cover this topic in greater detail in the "Health Insurance Eligibility" and "MyETF Benefits" employer webinars. ESS plans to continue these employer webinars year round.  In addition, ESS plans to update both the state and local employer health insurance manuals in order to cover the employer requirements on this topic in greater detail.	Kathy Wienkes - ESS	Oct, 2016  Jan, 2016  Nov. 2015	Closed  Local manual Closed State manual Closed (Chapter 5, Section 505)

**Open Audit Issues Report as of February 2017**

**Audit Findings - Internal Audit**

Audit	Report Date	Recommendations	Management Responses	Responsible Staff	Estimated Completion Date	Status
WRS Employer Reporting	March, 2016	<p>To be followed-up by DRS:</p> <ul style="list-style-type: none"> <li>- Expand the Employer Compliance Review Program to include: hours, payroll screen shots, sample testing ineligible employees on an employer's payroll</li> <li>- Follow-up with employers who routinely report and/or pay late and provide education and/or training</li> <li>- Educate Employers on sending PII information securely</li> <li>- Collect WRS earnings and hours at the employee level more frequently than on an annual basis</li> </ul> <p>To be followed-up by DTF:</p> <p>Charge interest when employers do not report earnings and contributions timely.</p>	<p>DRS will broaden its review to include a sampling to verify employee hours and ineligible employees. In addition, DRS will include more samples of payroll screen shots for applicable employers.</p> <p>DRS ESS case manager will follow-up with the employers identified by this audit, the monthly remittance report tracking sheet and staff. The follow-up will serve as an opportunity to educate the employers and answer any questions they have</p> <p>DRS will work with OPPC to communicate privacy risks and tips to employers</p> <p>Will be in place with BAS Rollout 2</p> <p>Will be in place with BAS Rollout 2</p>	<p>Jeff Miller</p> <p>Kathy Wienkes</p> <p>Matt Stohr</p> <p>Matt Stohr</p> <p>Laura Vang</p>	<p>Second Quarter of 2016</p> <p>July, 2016</p> <p>Next 2016 Employer Bulletin</p> <p>Jan, 2018</p> <p>Jan, 2018</p>	<p>Closed</p> <p>Closed</p> <p>Closed (Sept 2016)</p> <p>Open</p> <p>Open</p>
Full File Compare Process	May, 2016	<p>To be followed-up by DRS:</p> <ul style="list-style-type: none"> <li>- Improve management oversight; create detailed procedures and work manual; define and standardize communication protocols with health plans</li> <li>- Evaluate the data being compared by the FFC to align the reconciliation effort with the objective of the process; review the data being captured by MEBS to ensure only accurate and relevant data will be migrated to BAS</li> <li>- Communicate and coordinate with the health plans for a synchronized and prioritized approach to eliminate the accumulative effect of delayed FFC exception resolution</li> </ul> <p>To be followed-up by BITS:</p> <ul style="list-style-type: none"> <li>- Monitor account access activities of the secured FTP site and disable inactive accounts</li> </ul>	<p>Management agreed with the recommendations and will implement corrective actions based on the resource availability and priority.</p> <p>Current inactive accounts were disabled; monitoring would be implemented in July</p>	<p>Jaymee Meier</p> <p>Matt Stohr</p> <p>Matt Stohr</p> <p>Mark Robinson</p>	<p>Jan 2017</p> <p>July 2017</p> <p>Nov 2016</p> <p>Aug 2016</p>	<p>Closed</p> <p>In progress</p> <p>Closed</p> <p>Closed</p>
OFAC	November, 2016	<ul style="list-style-type: none"> <li>- Document all procedures used to verify OFAC Compliance and conduct risk assessment of OFAC compliance</li> <li>- Consider incorporate system controls in BAS implementation</li> </ul>	<p>Management agreed with the recommendation</p> <p>Management agrees a system control would be ideal and has requested the implementation of a warning feature be considered as part of BAS project. In addition, management has requested the payroll process be enhanced to include an automated solution for the overall OFAC process a part of the BAS project</p>	<p>Blain Parsons</p> <p>Blain Parsons</p>	<p>Jan 2017</p> <p>Late 2019</p>	<p>Closed</p> <p>In progress</p>