



State of Wisconsin
Department of Employee Trust Funds
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Correspondence Memorandum

Date: October 5, 2017
To: Group Insurance Board
From: Jessica Rossner, Program Manager
Sara Brockman, Health Policy Advisor
Office of Strategic Health Policy
Subject: Third Party Audits of Total Administrative Services Corporation

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

Total Administrative Services Corporation (TASC) is the third-party administrator of the Employee Reimbursement Accounts (ERA) and Health Savings Account (HSA) benefit programs.

The Department of Employee Trust Funds (ETF) and the ETF Board retained Wipfli LLP to evaluate the effectiveness of controls for several key areas, including billing and claim substantiation.

ETF Office of Internal Audit (OIA) performed a complementary audit of TASC's contribution reporting and billing for administrative fees for the same time frame.

This audit was presented to the Audit Committee of the ETF Board on September 21. Attachment A is the memo to the Audit Committee from Yikchau Sze, Director of ETF OIA, highlighting the objectives, scope and findings of the Wipfli and OIA audits. Attachment B is TASC's responses to the audit findings.

Amelia Slaney, OIA Auditor who led the audit, will be available at the Board meeting to provide a brief overview of the audit, as well as of the audit finding follow-up process; and answer any questions.

Attachment A: TASC Audit Executive Summary
Attachment B: TASC Revised Responses to Wipfli and OIA Audit Findings

Reviewed and approved by Lisa Ellinger, Director, Office of Strategic Health Policy

Electronically Signed 11/2/17

Board	Mtg Date	Item #
GIB	11.15.17	4B



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Correspondence Memorandum

Date: September 7, 2017
To: Audit Committee
From: Yikchau Sze, Director
Office of Internal Audit (OIA)
Subject: TASC Audit Executive Summary

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

Background:

The Department of Employee Trust Funds (ETF) offers Flexible Spending Accounts (FSA) and Health Savings Accounts (HSA) as optional benefit programs, primarily to State of Wisconsin (state) employees. In 2015 Total Administrative Services Corporation (TASC) began administering these benefit programs as the third party administrator (TPA) for ETF.

In January 2017 ETF contracted with Wipfli to conduct compliance testing procedures of its programs administered by TASC. The review was designed to evaluate the effectiveness of certain controls and review other specific program areas determined by ETF management. The work was co-sourced between Wipfli and ETF's OIA, in order to expand the audit scope while maintaining reasonable audit costs.

Scope:

Wipfli performed compliance testing procedures to evaluate the effectiveness of controls for the following areas within ETF's programs administered by TASC, focusing primarily on calendar year 2016:

- Participant Enrollment and Account Changes
- Billing ETF for Claims Paid to Participants
- Transition Between Systems used by TASC
- Claim Substantiation and Payment to Participants
- Adjustments to Participant Accounts
- 2015 Plan Finalization Report

Reviewed and approved by Robert J. Conlin, Secretary

Electronically Signed: 9/13/2017

Board	Mtg Date	Item #
AUD	9.21.17	3B

ETF's OIA evaluated the controls and accuracy of the processing of contributions and TASC's process for billing ETF for administrative fees.

Audit Approach:

Wipfli completed interviews and discussions with key staff at TASC and ETF; reviewed existing control, process and risk documentation; and performed detailed testing to determine the effectiveness of certain controls.

OIA obtained an understanding of procedures used by payroll centers and TASC; interviewed relevant staff; reviewed manuals or other program information; completed detailed testing and analytical reviews; and evaluated the processes for potential process improvements.

Audit Results:

Wipfli's Findings

Wipfli identified several control deficiencies; the firm's full report is included in Attachment A and a summary of its recommendations is below. Please note Wipfli's recommendations 2 and 5; ETF considers these to be the most significant.

Recommendation 1: Segregation of Duties (p. 6 of Attachment A)

TASC should properly segregate duties related to the Premium Service Specialist position and restrict system access to just one function -- such as billing for claims -- but not provide access to participant contributions and/or claims.

Recommendation 2: Secondary Review of Billings for Claims and Adjustments (p. 7 of Attachment A)

TASC should establish a secondary review process and sign-off by a TASC employee other than the employee that is performing the procedures. This will ensure that monthly bills that are being generated for ETF, and adjustments made to employees' contribution amounts, are reviewed for completeness and accuracy.

TASC should also consider working with ETF to refine the weekly invoice report structure in order to provide the proper level of detail necessary to validate the claims.

As noted in Wipfli's detailed report, claim amounts from invoices were not validated back to the claims detail file provided by TASC in totality.

Recommendation 3: Claims Substantiation Documentation (p. 8 of Attachment A) TASC should ensure that all substantiated claims have proper documentation as required by federal regulations.

Recommendation 4: Manual Adjustments (p. 9 of Attachment A)

TASC should create a periodic report that captures all manual adjustments for the given period. Plan management should then implement a process to allow two or more levels of review for this activity.

Recommendation 5: Integrity of the EV1 (WEX) System Data (p. 10 of Attachment A)

TASC should work with the eight payroll centers to standardize and cleanse the employee data within EV1 (WEX) to ensure that Social Security numbers are consistently being utilized for Employee ID and other data fields are updated and current. This will allow both TASC and ETF to more easily research and analyze claims per employee and ensure that EV1 (WEX) remains the system of record.

TASC should also continue working with ETF at the end of the benefit year to ensure employees' carryover amounts are properly accounted for and transferred from one benefit year to the next, throughout the runout period, and into the next benefit year.

TASC's formal response to Wipfli's recommendations can be found within Attachment A. Although TASC agrees or partially agrees with most of Wipfli's findings, its responses were not all clear and do not fully address the recommendations. ETF plans to seek explanations from TASC on how it would fully address the audit recommendations in future communications with TASC.

ETF OIA's Findings

ETF OIA also identified several deficiencies during its review, including five findings, as summarized below, and several observations of process improvements, which are included in the full audit report in Attachment B. The below findings are listed in order of significance.

Recommendation 1: Accuracy of Contributions Posted to Participant Accounts (p. 7 of Attachment B)

TASC should implement controls to ensure that FSA and HSA contribution amounts from payroll center files are uploaded and posted to accounts completely and accurately. For example, TASC should ensure that the total dollar amount of contributions included in a payroll center's file agrees with the total posted to accounts for that payroll center, and that any outstanding variances are appropriate.

We also recommend that TASC implement controls to ensure that manual adjustments are made accurately. For example, a supervisor should review manual adjustments to ensure accuracy.

Recommendation 2: Reconciliation Between Contributions Withheld, Reported, and Paid (p. 8 of Attachment B)

We recommend that all payroll centers implement a control to ensure deductions taken from participants' payroll, contribution data reported to TASC, and the payroll center's payment made to ETF and TASC for the contributions all agree. Payroll centers could

also track discrepancies between amounts withheld, reported and paid to help ensure that variances are resolved in an upcoming pay period.

In addition, we recommend that all necessary adjustments affecting the dollar value of contributions be processed through the contribution file during the upcoming pay period, rather than through a manual adjustment process.

Recommendation 3: Compliance with Program Contribution Limits (p. 10 of Attachment B)

We recommend that controls be implemented to help ensure annual contribution limits for programs are not exceeded. Specifically, we recommend that:

- TASC implement system controls to limit contributions by the annual program limits for FSAs;
- payroll centers review employer contributions for HSA programs prior to each year end to ensure they are compliant with program rules and that necessary corrections can be made; and
- ETF review total FSA contributions by participant when reviewing the annual Plan Finalization Report to ensure they are compliant with program rules.

Recommendation 4: ETF's Review of the Annual Plan Finalization Report (p. 11 of Attachment B)

We recommend that ETF conduct a thorough review of the Plan Finalization Report annually to ensure activity is consistent with program rules, and work with the third party administrator and payroll centers to resolve any issues identified; and that ETF define who is responsible for the review.

Recommendation 5: Administrative Billing for Terminated Participants (p. 12 of Attachment B)

We recommend that TASC:

- develop procedures to ensure terminated HSA participants are directly billed for administrative fees and that ETF is not billed for those accounts;
- review its procedures to bill ETF for administrative fees to ensure billing for terminated FSA accounts is appropriate based on program termination rules;
- include employment status and termination date columns in the administrative billing detail provided to ETF; and
- work with payroll centers to ensure termination information is reported consistently.

Formal responses from TASC, payroll centers, and ETF can be found within Attachment B. Overall, ETF and the payroll centers agree with the findings. Although TASC agrees or partially agrees with most of Wipfli's findings, its responses were not all clear and do not fully address the recommendations. When asked to expand on the original response, TASC declined. ETF plans to seek explanations from TASC on how it would fully address the audit recommendations in future communications with TASC.

Attachment A- Wipfli Report of Compliance

Attachment B- OIA TASC Audit Report

State of Wisconsin – Department of Employee Trust Funds

Madison, Wisconsin

Report of Compliance for Employee Reimbursement Account and Health Savings Account Benefit Programs

August 15, 2017

Preliminary Report Issued:

Final Report Issued:

DRAFT

WIPFLI^{LLP}
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Executive Summary

August 15, 2017

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

In accordance with our contract dated January 30, 2017, we have completed compliance audit testing procedures to evaluate the effectiveness of certain controls of the administration of employee reimbursement account and health savings account (HSA) benefit programs by Total Administrative Services Corporation (TASC) on behalf of the State of Wisconsin – Department of Employee Trust Funds (WI ETF). The objectives of this engagement were to perform compliance procedures to evaluate the effectiveness of certain controls for the HSA, Health Care Flexible Spending Account, Limited Purpose Flexible Spending Account, Dependent Care Flexible Spending Account, and Transit Account and Parking Account programs. 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 interviews and discussions with key department staff at TASC and WI ETF in person, reviewed existing controls, process and risk documentation, and performed detailed testing to determine the effectiveness of certain controls.

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

Reporting Results of Procedures

A summary of the results of the control procedures is included in the Observations and Recommendations section of this report. The areas included in the scope of this project for the HSA, Health Care Flexible Spending Account, Limited Purpose Flexible Spending Account, Dependent Care Flexible Spending Account, and Transit Account and Parking Account programs included:

- Participant Enrollment and Account Changes
- Billing for Claims
- Transition Between Systems
- Claim Substantiation and Payment
- Adjustments
- 2015 Plan Finalization Report

The detailed testing procedures were performed to gain an understanding of the key risks for critical business processes in these areas of TASC. TASC should evaluate the results of these procedures and develop next steps to determine the effectiveness of the overall control environment.

During the course of our data gathering for this project, we did identify certain control weaknesses that we wanted to bring to the attention of management. Key observations include the following:

- The Premium Service Specialist (and their backups) at TASC have access to multiple functions, such as billing, participant contributions and participant claims, a segregation of duties deficiency.
- There are no secondary reviews currently in place at TASC for multiple areas, including Billing for Claims and Adjustments.
- Several claims that were tested did not have proper documentation for substantiation purposes.
- Manual adjustments are sometimes made to accounts; however, no report or process is in place to review and evaluate those adjustments.
- There were several data integrity issues with the employee data loaded within the EV1 (WEX) system.

These results may indicate opportunities to improve existing control processes and procedures or may indicate inadvertent or intentional deviations from existing controls. Any identified opportunities and recommendations for your consideration are included in the Observations and Recommendations section of this report. It is important to understand that because of the inherent limitations in any internal control system, errors or fraud may occur and not be prevented or detected by internal controls. Also, projections of any assessment of the internal controls to future periods are subject to the risk that the internal controls may become inadequate because of changes in conditions or that the degree of compliance with the controls may deteriorate. In addition, because of the unique nature of fraud and because our engagement was not designed as a fraud examination and was limited both in time frame and scope, fraud may exist within TASC and WI ETF that may not be identified by the procedures performed.

The information presented in this report is designed to identify and prioritize financial and operational risks. This engagement is not intended to be, and is not, considered an audit or fraud examination because of the restricted nature and limited scope of the procedures performed.

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 TASC and WI 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

Observations and Recommendations

Introduction

The results of the compliance audit services procedures are presented in this report. Procedures included interviews and discussions with key department staff at TASC and WI ETF in person, review of existing controls, process and risk documentation, and performing detailed testing of each function to determine the effectiveness of the controls.

Internal controls fall into two broad categories: preventative controls and detective controls. Both types are essential components of a strong system of internal controls. While preventative controls are designed to keep an error or fraud from taking place, detective controls are designed to uncover, in a timely manner, an irregularity or error that has already occurred.

The information included in this report is based on information provided by TASC and WI ETF. Results reported relied on, and are dependent on, the completeness and accuracy of information provided by TASC and WI ETF.

Background

The WI ETF has an Employee Reimbursement Accounts (ERA) program as an optional benefit established for eligible State of Wisconsin employees. Also referred to as "Flex Spending Accounts," or FSAs, the ERA Program is authorized under Sections 125, 105 and 129 of the Internal Revenue Code and Wisconsin Statutes §40.85-§40.875 and allows employees (currently ~ 23,000 participating) to pay for eligible expenses using their pretax income rather than after tax income to pay for health care, dependent care, parking, and transit expenses.

The FSA has been administered by TASC since the 2015 plan year (the plan years begin on January 1 of every year). The ERA Program has the following account options available for their employees:

- **Health Care Flex Spending Account:** A pretax benefit account used to pay for eligible health care expenses that are not reimbursed by their medical, dental, or vision care insurance plans.
- **Limited Purpose Health Care Flex Spending Account:** A pretax benefit account for those enrolled in the HDHP health insurance plan used for eligible dental and vision care expenses.
- **Dependent Day Care Flex Spending Account:** A pretax benefit account for dependent day care expenses incurred for the care of eligible dependents under age 13, or a spouse or other tax dependent who is physically or mentally incapable of caring for him/herself.
- **Parking & Transit Account:** Covers eligible parking and/or transit expenses incurred for travel to and from their place of employment.

WI ETF also offers their employees Health Savings Accounts, (HSAs), which have also been administered by TASC since the 2015 plan year. To be able to contribute into an HSA, the employee must be enrolled in one of WI ETF's qualified High Deductible Health Plans.

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Employees of the State of Wisconsin determine how much they want to contribute to each of the accounts they want to utilize and contributions are deducted from their paychecks, pretax, throughout the plan year. The IRS establishes ERA contribution dollar limits per plan per year which must be adhered to and monitored. In addition, depending on plan enrollment, fund balances in participant's accounts may be forfeited as there are limits on what can be carried over from one plan year to another. The State of Wisconsin plans allow a 90-day run out period to submit reimbursement requests until March 31.

The State of Wisconsin has eight different payroll centers that provide participant information to TASC for all eligible and enrolled employees:

- *Central*
- *Courts*
- *Legislature*
- *University of Wisconsin*
- *UW Hospitals and Clinics*
- *WEDC*
- *WHEDA*
- *WISCRAFT Beyond Vision*

A limited internal control review was performed in conjunction with WI ETF by performing walk-throughs of people and processes onsite at TASC for each of the areas listed below. In addition, the following detailed testing procedures were performed:

A. Participant Enrollment and Account Changes

1. Enrollment for eligible employees only – Wipfli tested 30 of the 2016 enrollment population to ensure accuracy of eligibility of the employees. Results: No exceptions noted.
2. Changes to accounts made mid-year – Wipfli tested 30 of the terminations, re-enrollees, retirees, and qualifying life event changes made to accounts in September and October of 2016 for appropriateness. Results: No exceptions noted.

B. Billing for Claims

1. TASC billing to WI ETF includes required attributes and detail – Wipfli tested five of the 2016 weekly invoices from TASC (01/19, 04/05, 07/05, 10/18, and 12/20) for completeness and accuracy. Results: See Observations #1 and #2.
2. Amounts included in TASC billing to WI ETF are accurate – Wipfli tested the detailed records of the five selected weekly invoices back to claims submitted to ETF for completeness and accuracy. Results: See Observations #2 and #5.

C. Transition Between Systems

1. Rolling 2014 plan year information into TASC's MyTasc system for the 2015 plan year – Wipfli ran a comparison test between WageWorks and MyTasc to identify any issues with the conversion files. Results: See Observation #5.
2. Rolling 2015 plan year (MyTasc) into TASC's EV1 (WEX) system for the 2016 plan year – Wipfli tested the TASC system rollover files to identify any potential issues. Results: See Observation #5.

2017 Report of Compliance**D. Claim Submission and Payment**

1. Proper documentation obtained for claims – Wipfli tested 60 total claims received throughout 2016 to ensure proper documentation was obtained. Results: See Observations #1 & #3.
2. Compliant with related Federal regulations – Wipfli tested 60 total claims received throughout 2016 to ensure claims were compliant with related federal regulations. Results: See Observations #1 & #3.
3. Accuracy of paid claims – Wipfli tested 60 total claims received throughout 2016 (the number of samples per program were weighted based on their relative percentage of the overall population: 20 claims were auto-adjudicated via debit card, 20 claims were debit card with additional documentation required, and 20 were non-card fully manually adjudicated claims) to ensure claims were complete and accurate. Results: See Observation #3.
4. Resolution of unsubstantiated claims – Wipfli tested 15 total unsubstantiated claims from 2016 that were resolved by April 2017 to ensure they were properly resolved (FSA program only). Results: No exceptions noted.

E. Adjustments

1. Change in contributions – Wipfli tested 15 changes in contributions made in September and October of 2016 to ensure completeness and accuracy, focusing on changes made that were not a result of a qualifying life event (those were tested under A.2). Results: No exceptions noted.
2. Refunds and credits – Wipfli tested 15 refunds and credits issued throughout 2016 to ensure completeness and accuracy. Results: no exceptions noted, although our sample did not include manual adjustments by TASC and we were unable to test them, see Observation #4.

F. 2015 Plan Finalization Report

1. Carryover to 2016 (negative, over \$500) – Wipfli intended to test 15 negative and/or > \$500 carryovers from 2015 to ensure completeness and accuracy; however, there were no records to test. Results: Not applicable.
2. Forfeitures handled properly – Wipfli tested 15 forfeitures recorded from the 2015 plan year to ensure completeness and accuracy. Results: No exceptions noted.

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Observation #1 Segregation of Duties at TASC

The Premium Service Specialist and their backups at TASC have access to multiple functions, such as billing, participant contributions and participant claims. This is a segregation of duties deficiency.

The Premium Service Specialist and their backups currently have the ability to make changes to participant contributions and/or claims prior to them being billed to WI ETF. As a result, they could potentially make changes to employees' accounts and bill for erroneous or unsubstantiated claims.

A partially mitigating control exists in that participants have the ability to monitor account activity online, and they would potentially report a claim that appears inaccurate or incorrect (at least if it results in them needing to reimburse or provide substantiation).

Time stamps would allow TASC to investigate any changes. Although the system tracks changes made to accounts, TASC is not aware of a way to pull this type of data for all accounts.

Recommendation:

TASC should properly segregate duties related to the Premium Service Specialist position and restrict system access to just one function, such as billing for claims, but not provide access to participant contributions and/or claims.

TASC Management Response:

TASC Management Partially Agrees.

TASC can put into place customized access for the premium services specialist. However, we are unable to segregate access to participant contributions. Our employee needs access to participant contributions for the assigned daily job duties. TASC can remove access to claims.

Projected date of resolution: 9/30/2017

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Observation #2 Billing for Claims & Adjustments

The Premium Service Specialist at TASC creates and produces the monthly bill that is sent to WI ETF that includes multiple levels of detail. Currently, there is no secondary review of the monthly bill after it is created by the Premium Service Specialist by anyone else at TASC.

While data is pulled from TASC's EV1 (WEX) system, there are multiple steps that are performed within Excel to generate the bill for WI ETF that could potentially result in errors in the detail of the report itself, which may be identified if there was a secondary review performed after the bill is generated. In addition, when manual adjustments are made to employees' contributions at TASC, there is currently not a review of the manual changes that were made.

While the detail contained within the five weekly TASC invoices that were tested for 2016 (01/19, 04/05, 07/05, 10/18, and 12/20) tied out to the total amounts billed within the invoices, the claim amounts were not able to be validated back in totality to 2016 claims detail provided by TASC, due in part to the system data integrity issues identified and outlined in Observation #5. Of the 28,235 detailed records contained within the 5 weekly invoices, 3,956 (14%) of the records were not able to be tied back to the claims detail, based on name and claim amount reported.

15 of the claim amounts that did not match for these 5 invoices were researched further in order to understand the discrepancies. Because of the way the report is currently generated, multiple plan type payments are being consolidated into one payment record on the invoice, which further complicated tying the invoice detail back to the more detailed system data. As a result, WI ETF is currently unable to completely validate all of the claims detail contained within the invoices submitted weekly by TASC.

Recommendation:

TASC should establish a secondary review process and sign-off by another TASC employee other than the employee that is performing the procedure to ensure that the monthly bills that are being generated for WI ETF and adjustments that are being made to employee's contribution amounts are reviewed for completeness and accuracy.

TASC should also consider working with WI ETF to refine the weekly invoice report structure in order to provide the proper level of detail necessary for them to validate the claims, as necessary.

TASC Management Response:

TASC Management Agrees.

TASC can put into place a review process by another TASC employee to review and re-create the monthly billing to ensure billing is accurate. There is no report in/from the system to allow TASC to review manual adjustments of participant contributions. TASC will devote time to research this further to confirm a viable option. TASC can work with WI ETF to refine the weekly invoices, however, the current invoices were customized and agreed upon by WI ETF so they must approve any change.

Projected date of resolution: 9/30/2017

Observation #3 Claims Substantiation and Payment

The documentation for 60 claim submissions for 2016 that were substantiated by TASC were reviewed, and in one of the claims (debit card), TASC was unable to provide documentation from the employee. TASC said that they “were unable to locate, Timeframe matches the changeover to Filebound. Documentation likely received and saved without file details. Search will not yield results.” As a result, we were unable to determine if the employee provided proper documentation to substantiate that claim that TASC paid for the employee and then billed WI ETF.

In one of the other claims (debit card), the documentation amount received from TASC did not match the claim amount and was apparently used for more than one claim for that employee, resulting in an unsubstantiated claim that should not have been paid out by TASC.

While the percentage (2 of 60 or 3%) of improperly substantiated claims within the sample population was low, not having proper documentation for claims that have been substantiated could lead to employees being reimbursed for improper or erroneous claims, which could also potentially violate compliance with Federal regulations.

Recommendation:

TASC should ensure that all claims that are substantiated have proper documentation as required by Federal regulations and on behalf of WI ETF and the State employees.

TASC Management Response:

TASC Management Disagrees.

TASC already has processes to ensure all claims are substantiated based on the proposed 5 step regulations as requested by WI ETF. The two examples in the observation rarely occur.

In the first observation, there was a storage methodology change in how TASC stored the substantiation documents. TASC simply was unable to locate this item. The default assumption is not that there is no substantiation at pay out.

For the second observation this participant attempted to use a known method called offset. In offset participants can offset a previous expense; for this sample the incorrect process was used. Per IRS regulations, participants can provide documentation for other expenses incurred within the same plan year but not reimbursed.

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Observation #4 No Review or Reporting of Manual Adjustments

Per our discussions with TASC regarding controls on 19 May 2017, it was noted that members of the FSA/HSA Administration teams and the Premium Service Specialist (and possibly others) could make manual adjustments to participant accounts in contributions, claims, or other miscellaneous adjustments. Because there is no report that captures this activity, Wipfli has no way to evaluate how often they occur, why most occur, the values of such transactions and other criteria.

A partially mitigating control exists in that participants have the ability to monitor account activity online, and they would potentially report unknown claim or contribution entries, particularly if documentation or reimbursement is required.

Time stamps would allow TASC to investigate any changes. Although the system tracks changes made to accounts, TASC is not aware of a way to pull this type of data for all accounts.

Recommendation:

TASC should create a periodic report that captures all manual adjustments for the given period. Plan management should then implement a process to allow two or more levels of review for this activity.

TASC Management Response:

TASC Management Partially Agrees.

There is currently no report that TASC can run from the system. TASC will work with our Reports team to see if we can create a special report or data pull to accomplish. Also see response to Observation #2, pertaining to a second review.

Projected date of resolution: 9/30/2017

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Observation #5 Integrity of the EV1 (WEX) System Data

From 2014 to 2016, employee ERA program data was processed through multiple third-party administrators and systems. This included rolling the 2014 plan year information from the prior TPA's system (WageWorks) into TASC's MyTASC system for the 2015 plan year, as well as rolling the 2015 plan year information from MyTASC into the currently utilized EV1 (WEX) system.

However, with all of the systemic changes over the last couple of years, several potential data integrity issues were identified during the testing for this audit. One example identified was the utilization of many different numbers for the Employee ID. Ideally, it should be the employee's social security number, but as datasets were compared and analyzed, the Employee ID was found not to be unique. As names were then used for comparison and analysis purposes, we also found that name changes were common (e.g. getting married and changing their last name).

Of the 17,132 detailed carryover records analyzed for the WageWorks to MyTASC conversion, 410 (2%) of the records were originally unable to be tied out between the two data sets, and of the 5,750 medical benefit carryovers from MyTASC to EV1 (WEX) system conversion, 526 (9%) of the records were originally unable to be tied out between the two data sets.

After reviewing the resulting exceptions and identifying and excluding the apparent naming convention issues discussed above (surnames, name changes, etc.), 14 of the exceptions were sent to TASC, who provided support and documentation to assist in explaining and understanding the discrepancies. While these examples appear to be satisfactorily validated, WI ETF is currently unable to completely account for and validate all of the employees' carryover amounts for 2015.

In addition, TASC takes weekly data from EV1 (WEX) and goes through an extensive scrubbing process in Excel in order to get the weekly claim bills produced for WI ETF (see Observation #2). The detail provided in the samples analyzed had differing Employee ID numbers and names based on the timing of the data pulls, and the claims were sometimes detailed out and other times combined together.

Recommendation:

TASC should work with the eight payroll centers to standardize and cleanse the employee data within EV1 (WEX) to ensure that social security numbers are consistently being utilized for Employee ID and other data fields are updated and current. This will allow both TASC and WI ETF to more easily research and analyze claims per employee and ensure that EV1 (WEX) remains the system of record.

TASC should also continue working with WI ETF at the end of the benefit year to ensure that the employees' carryover amounts are properly accounted for and transferred from one benefit year to the next throughout the runout period and into the next benefit year.

TASC Management Response:

TASC Management Partially Agrees.

Social security numbers are the requirement for the State of Wisconsin plan administered on the EV1 Platform. The EV1 platform requires the participant social security number for enrollment into the benefit. In addition TASC requests the participant employer employee ID. Our previous system did not require social security numbers.

Office of Internal Audit

TASC Audit



September 7, 2017

Office of Internal Audit
TASC Audit
September 7, 2017

Objective:

The audit objective was to evaluate the process used for the Department of Employee Trust Funds Flexible Spending Accounts and Health Savings Accounts administered by the Total Administrative Services Corporation (TASC). Specifically, we evaluated the controls and accuracy of the processing of contributions and TASC's process for billing ETF for administrative fees related to these programs.

Scope:

The audit scope focused on the contributions and administrative billing processed during calendar year 2016.

Background:

The Programs

The Department of Employee Trust Funds (ETF) offers Flexible Spending Accounts (FSA) and Health Savings Accounts (HSA) as optional benefit programs primarily to State of Wisconsin (State) employees. These benefit programs are authorized under Internal Revenue Code (IRC) Section 125, IRC Section 132, and Wisconsin Statutes § 40.85-40.875; which offer pre-tax savings accounts for medical, dependent day care, transit and parking expenses.

A brief description of each program offered is included in the below table:

Program Name	Description	Contribution Limit (for 2016)	Potential Carryover
Health Care FSA*	Used for health care expenses not covered by insurance, including office visit co-pays, dental cleanings, physical exams, vaccinations, contact lenses and more.	\$2,550/year	\$500/year
Dependent Care FSA*	Used for day care expenses for the participant's eligible dependent(s) that are incurred to allow the participant and spouse, if married, to work, actively look for work or attend school full time.	\$5,000/year	\$0

Office of Internal Audit
TASC Audit
September 7, 2017

Limited Purpose FSA*	Used to pay for eligible dental, vision care, and post-deductible medical expenses for participants enrolled in a High-Deductible Health Plan (HDHP).	\$2,550/year	\$500/year
Transit Account*	Used for work-related mass transit expenses such as transit passes and vanpool costs.	\$130/month	Entire balance
Parking Account*	Used for work-related parking expenses for your vehicle in a facility near your place of employment or at a location from where you commute.	\$255/month	Entire balance
Health Savings Account (HSA) (with single HDHP enrollment)	Used for current or future health care expenses not covered by insurance. State employees are <i>required</i> to enroll in an HSA if the participant is enrolled in a High Deductible Health Plan (HDHP). HSAs have a triple tax advantage because they allow contributions, distributions, and interest earnings to be free from tax.	\$3,350/year	Entire balance
Health Savings Account (with family HDHP enrollment)	HSAs are unique from FSAs, as the employer, participant, and others can contribute to the account, funds earn interest exempt from tax, and the money in the account will remain, even if he/she leaves the HDHP plan or terminates from state service.	\$6,550/year	Entire balance

**Note that medical FSA, dependent care FSA, limited purpose FSA, transit, and parking are collectively referred to as "FSAs" in the remainder of this report.*

Participants in these benefit programs save money because contributions are exempt from Federal, State and Federal Insurance Contributions Act taxes. As the employer, the State saves money because participant contributions are not subject to the employer portion of the FICA tax. ETF contracted with TASC as the third-party administrator (TPA) for the programs, beginning with plan year 2015.

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The Process

Each year during “open enrollment,” which typically runs during October, participants can enroll in benefit programs for the following calendar year. The participant can elect amounts based on estimated expenses for the upcoming year, up to the annual contribution limit by program. Pre-tax contributions are withheld from participant paychecks by payroll centers and then remitted to ETF for FSAs, or to TASC for HSAs. Eight separate payroll centers report participant eligibility and contribution data to TASC for posting to participant accounts. There are inconsistencies in the processes used by payroll centers, which may affect the data being processed by TASC.

Participants make claims for eligible expenses throughout the year, primarily by either using their TASC debit card or by submitting reimbursement claims and providing support for the expense. Participants can use the funds throughout the calendar year, but also have a “run-out” period of 90 days following the end of the plan year to submit a reimbursement claim for eligible expenses incurred in the previous calendar year. Funds remaining after the “run-out” period for certain programs carry over into the next plan year, as noted in the table on pages 2 and 3. Unused funds that cannot be carried over (based on program rules) are reported to ETF as a forfeiture; ETF retains the funds from the contributions to help offset administrative costs. TASC bills ETF each month based on the enrollment in FSA and HSA programs.

Roles and Responsibilities

ETF, TASC, and eight separate payroll centers work together to manage FSA and HSA programs. Payroll centers work directly with participants on enrollment, annual elections, and collecting contributions through payroll deductions. As the TPA, TASC is responsible for enrollment services, including development, production, and distribution of all enrollment materials; enrollment processing; program communication to employees and employers; claims processing; and reimbursement services in compliance with applicable Internal Revenue Code. TASC coordinates with the payroll centers to obtain enrollment and contribution data throughout the year. ETF is responsible for collecting FSA contributions from payroll centers, paying TASC based on actual claims paid to participants, overall monitoring of the TPA performance, program management, and financial reporting related to the programs.

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Testing:

The OIA conducted this audit by:

- obtaining an understanding of relevant programs, including interviews and reviews of relevant manuals and program information;
- obtaining an understanding of payroll centers' procedures for processing contributions, including interviews and process walkthroughs;
- obtaining an understanding of TASC's procedures for recording contributions and billing administrative fees, including interviews with responsible staff, and process walkthroughs;
- testing a sample of contributions for accuracy and completeness and gaining assurance of controls in payroll centers' and TASC's process;
- testing all FSA and HSA accounts for compliance with annual contribution limits and gaining assurance of controls in payroll centers' and TASC's process;
- evaluating the format of data provided by payroll centers to TASC;
- testing totals in contribution files with reconciliations completed for contributions by ETF's Division of Trust Finance (DTF);
- reviewing a sample of discrepancy reports to identify potential process improvements;
- testing a sample of administrative billings for accuracy; and
- reviewing administrative billings analytically.

Testing a Sample of Contributions for Accuracy and Completeness

We obtained contribution files from payroll centers for the months of June and September 2016. We randomly sampled 125 accounts for testing from the two months, including all types of FSAs and HSAs, and including each payroll center. For each account, we compared the contribution amount, program, and plan year from the contribution file to TASC's administrative site. All data traced without exception.

We also recalculated contribution amounts based on the annual election amount and pay period frequency shown on TASC's administrative site. Although most accounts recalculated as expected, several recalculations did not trace. For these items, we reviewed other account information on the TASC administrative site to determine the reason for the variance, and found that most resulted from mid-year enrollments, account adjustments, or eligible election changes made during the year. We also identified several inconsistencies in payroll centers' processes, which contributed to the variances in our testing.

Testing Accounts for Compliance with Annual Contribution Limits

We ran reports from TASC's administrative site for all FSAs and HSAs from plan year 2016. We used formulas to identify if any elections or total contributions during the year

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exceeded the program limits. Although we did not identify deficiencies with election amounts exceeding program limits, we found several accounts with actual annual contributions exceeding the program limits. For these accounts, we obtained information from TASC's administrative site, TASC, and payroll centers to determine factors contributing to the noncompliance. Overall, we found that the program limits were exceeded due to errors made in transferring participants between payroll centers, errors made in importing contribution data, or errors made by manually overriding payroll center system controls.

Evaluating the Format of Payroll Center Data

We interviewed staff from each payroll center and walked through the process to set up and process FSA and HSA contributions. We also obtained payroll center contribution and enrollment files from June and September 2016. We identified inconsistencies in processes used by payroll centers and the type, format, and frequency of data provided to TASC.

Testing Contribution Files with DTF Reconciliations

We obtained the reconciliation DTF completed for June and September 2016 to reconcile cash with FSA contributions reported by payroll centers. We used the contribution files requested from payroll centers and compared the total contributions by program each pay period to the reconciliation. We found several variances resulting from manual adjustments made outside of the normal contribution process, or because the payroll center was not reconciling contributions withheld from participant payroll, contributions reported to TASC, and amounts paid to ETF for FSA contributions.

Review of Discrepancy Reports

We obtained a discrepancy report that each payroll center received from TASC in September 2016. We reviewed the files to identify common reasons for discrepancies and to ensure that payroll centers were using the discrepancy reporting process to help ensure contributions are accurate.

Testing Administrative Billing

We obtained the administrative billing invoice and supporting detail for July 2016 from DTF and a file with all FSA claims submitted during 2016 from TASC. We substantively tested the billing by tracing the participants in the billing detail for FSA accounts to the participants with claims during the year, to gain assurance that the billing is appropriate. For the 14 participants we found who were not included in the claims file, we looked up the account on the TASC administrative site to determine if any claims were filed during the 2016 run-out period (in January-March 2017) and also asked TASC why ETF was billed for the participants. Although 6 of the 14 resulted as variances in our testing due

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to a name change during the year, 8 accounts were reported by payroll centers as being active but did not report any contributions during the year.

We analytically reviewed the administrative billing for HSAs. We compared the participants with HSAs in the administrative billing to a report of 2016 HSAs from TASC's administrative site. We reviewed 10 accounts from the 2016 HSA report with termination dates prior to July 2016 and found that 4 of the accounts were included in the July 2016 administrative billing to ETF instead of being billed to the participant account.

Results:

Appendix A includes a table summarizing the findings and observations identified during the audit.

Findings

1. Accuracy of Contributions Posted to Participant Accounts- Controls do not ensure that contribution data from payroll centers is uploaded to participant accounts completely and accurately.

Each pay period, payroll centers provide contribution data to TASC to upload and post to participant accounts. TASC loads the files but sometimes must post several contributions manually if any contributions do not post during the initial file load.

In our testing, we found several HSA accounts whose annual contribution limits were exceeded due to posting errors, including the following for example:

- The employer and employee contribution amounts for an HSA were switched when posting to the participant account.
- A contribution amount was posted twice for the same pay period.
- Erroneous contribution amounts varying from payroll center contribution data were posted to participant accounts.

Based on TASC's response to exceptions identified, many of the errors were the result of manual adjustments being made incorrectly.

TASC's system compares the actual contributions loaded to the expected contributions based on annual election and payroll frequency. Discrepancies between these amounts are reported to payroll centers in a discrepancy report. Although the discrepancy report provides assurance that the payroll center contributions are consistent with expected contributions, it does not ensure that the actual contributions in the payroll center files are uploaded to the system completely

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and accurately. After our audit fieldwork was complete, TASC also noted that a monthly reconciliation was implemented in late 2016 to ensure FSA contributions from payroll center files were loaded to the system accurately. We did not test this control, as TASC did not provide us with support for the monthly reconciliation during our audit fieldwork.

TASC should have controls in place to ensure FSA and HSA contributions in files from payroll centers are posted to accounts completely and accurately.

Recommendation:

We recommend that TASC implement controls to ensure that FSA and HSA contribution amounts from payroll center files are uploaded and posted to accounts completely and accurately. For example, TASC should ensure that the total dollar amount of contributions included in a payroll centers file agrees with the total posted to accounts for that payroll center, and that any outstanding variances are appropriate.

We also recommend that TASC implement controls to ensure that manual adjustments are made accurately. For example, a supervisor should review manual adjustments to ensure accuracy.

TASC Management Response: Management partially agrees with the finding. TASC has a process in place for tracking FSA benefit contributions and resolving variances through resolution that is functioning well. This is demonstrated by no FSA exceptions in this audit. Going forward TASC agrees to mirror the controls for FSA for HSA accounts beginning in August 2017.

Responsible staff: EVP Customer Service

Completion Date: No later than August 31, 2017

2. *Reconciliation Between Contributions Withheld, Reported, and Paid- Payroll centers do not all have controls to ensure that the contributions reported to TASC agree with the payroll deductions taken and the payments made to ETF or TASC for the contributions.*

Each pay period, payroll centers withhold pre-tax contributions from participant paychecks based on program enrollment and annual election amounts. Each of the eight payroll centers send contribution data in a file to TASC, so the amounts can be posted to participant accounts. Payroll centers then make payments to ETF for FSA contributions and to TASC for HSA contributions. Variances between these amounts

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could result in errors in contributions withheld from participants' payroll, errors in contributions posted to participant accounts, or errors in cash paid to ETF or TASC.

Many of the variances found in our testing resulted from adjustments or corrections completed by TASC, and not through the initial contribution file provided by the payroll center. Processing adjustments and corrections through the contribution file would help ensure that contributions are accurate and that amounts withheld, reported, and paid agree.

Recommendation:

We recommend that all payroll centers implement a control to ensure deductions taken from participants' payroll, contribution data reported to TASC, and payroll center's payment made to ETF and TASC for the contributions all agree. Payroll centers could also track discrepancies between amounts withheld, reported, and paid to help ensure that the variances are resolved in an upcoming pay period.

In addition, we recommend that all necessary adjustments affecting the dollar value of contributions be processed through the contribution file during the upcoming pay period rather than through a manual adjustment process.

Payroll Center Responses: Most payroll centers agree with the recommendation and several indicated they already had controls in place to reconcile deductions taken from participants' payroll, contribution data reported to TASC, and payroll center's payment made to ETF and TASC. Each payroll center's formal response is included in **Appendix B**.

TASC Management Response: Management partially agrees with the finding. TASC has a process in place for tracking FSA benefit contributions and resolving variances through resolution that is functioning well. This is demonstrated by no FSA exceptions in this audit. Please note that not all State of Wisconsin payroll centers send contribution files, and therefore would not be subject to this process. Going forward TASC agrees to mirror the controls for FSA for HSA accounts beginning in August 2017.

Responsible staff: EVP Customer Service

Completion Date: No later than August 31, 2017

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3. Compliance with Program Contribution Limits- *Inadequate controls are in place to ensure total annual contributions by participant are in compliance with annual program limits.*

ETF establishes annual limits for contributions to the FSA and HSA programs based on the federal limits defined by the Internal Revenue Service. Based on our testing, controls are in place to limit the participant election to the program limits. However, there does not appear to be appropriate controls in place to ensure that total annual contributions do not exceed the annual program limits. Although several payroll centers stated that system controls limit contributions to the annual limits, this system control can be manually overridden and does not consider any contribution amounts for employees transferring from another payroll center. According to TASC, if a participant's contributions exceed the annual limit, a warning will display in the online participant portal. However, no other communication or notification is sent to the participant from TASC.

Specifically for HSAs, there are limits for total annual contributions including employee, employer, and contributions from all other sources. The State defines the annual employer contribution amounts but is also required to provide those contributions comparably to all participants.

Exceeding annual limits not only has tax implications for the participant but the noncompliance with federal regulations also puts the State's future ability to offer pre-tax benefits to its employees at risk. Although HSA program administrative guidance highlights that the responsibility for compliance with HSA rules lies with the participant, employers should be aware of the contributions they make to participants accounts and ensure that they are consistent with program rules.

Recommendation:

We recommend that controls be implemented to help ensure that annual contribution limits for programs are not exceeded. Specifically, we recommend that:

- **TASC implement system controls to limit contributions by the annual program limits for FSAs;**
- **payroll centers review employer contributions for HSA programs prior to each year end to ensure they are compliant with program rules and that necessary corrections can be made; and**

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- **ETF review total FSA contributions by participant when reviewing the annual Plan Finalization Report to ensure they are compliant with program rules.**

TASC Management Response: In order for TASC to implement a solution for this finding we need to work in conjunction with our vendor, WEX Health Systems. TASC commits to brainstorming an appropriate solution with WEX with the goal to implement as soon as feasible.

Responsible staff: EVP Customer Service

Completion Date: Dependent on vendor, goal is implementation no later than September 30, 2017

Payroll Center Responses: Most payroll centers agree with the recommendation and several indicated they already had controls in place to review HSA contributions annually. Each payroll center's formal response is included in **Appendix B**.

ETF Management Response: To ensure total annual contributions by participant are in compliance with the annual program limits, ETF Office of Strategic Health Policy (OSHP) staff will review total contributions by participant when reviewing the annual Plan Finalization Report.

Responsible staff: Jessica Rossner

Completion Date: June 30, 2018

4. *ETF's Review of the Annual Plan Finalization Report- ETF has not consistently completed a thorough review of the annual Plan Finalization Report.*

The Plan Finalization Report is a report generated by TASC at the end of a plan year summarizing the State's accounts during the plan year. The report includes, for example, contributions carried over from the previous plan year, contributions made during the year, claims paid during the year, and contributions carried into the next plan year. The report should be used by ETF to monitor TASC's adherence to program rules and ensure the activity is consistent with other information received from TASC throughout the year. As many of the exceptions identified during our audit were also apparent, based on information in the Plan Finalization Report, ETF's review of the report would provide value in the oversight of TASC's administration and help monitor program compliance.

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Although the 2015 Plan Finalization Report was reviewed by ETF, the 2016 Plan Finalization Report was not thoroughly reviewed until after our audit fieldwork was conducted. Further, at the point of our audit fieldwork, ETF had not yet determined who within ETF was responsible for the review.

Recommendation:

We recommend that ETF conduct a thorough review of the Plan Finalization Report annually to ensure activity is consistent with program rules and work with the third-party administrator and payroll centers to resolve any issues identified and that ETF define who is responsible for the review.

ETF Management Response: Upon receipt of the annual Plan Finalization Report, ETF OSHP staff will perform a thorough review to ensure activity is consistent with program rules and work with the third-party administrator and payroll centers to resolve any issues. ETF Division of Trust Finance staff will also review the amounts used for financial reporting purposes and will work with OSHP staff to resolve any identified issues.

Responsible staff: Jessica Rossner and Michelle Thode

Completion Date: June 30, 2018

5. *Administrative Billing for Terminated Participants- Administrative fees for some terminated participants were billed to ETF during 2016, rather than to the participant's accounts.*

Each month, TASC generates an administrative billing for all open accounts and invoices ETF for payment. TASC also provides a detailed file with the invoice, showing the list of participants and accounts for which ETF is being billed. The invoice detail includes participant names and election amounts by program, but does not include a field indicating whether the participant is active or terminated.

ETF's eligibility rules related to terminations vary between programs. In addition, ETF's administrative guidance for HSAs specifies that "in the event of termination, a participant will be assessed a \$3/month service fee beginning the first of the month following termination. This fee will automatically be deducted from their HSA account balance until the account is closed due to zero balance." Because HSA accounts can remain open and be used for many years after the participant's termination, the risk is higher that ETF will be overbilled for administrative fees after the participant's termination, rather than the participant account being charged directly.

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Based on discussions with TASC, it is unclear how TASC ensures that the administrative billing is appropriate related to terminated participants. Although TASC stated that a review of \$0 accounts is completed to close them out, there does not appear to be a review of accounts with terminated statuses or accounts without contribution or claims activity during the year. Further, TASC does not consider employment status when generating the administrative billing.

Recommendation:

We recommend that TASC:

- **develop procedures to ensure terminated HSA participants are directly billed for administrative fees and that ETF is not billed for those accounts;**
- **review its procedures to bill ETF for administrative fees to ensure billing for terminated FSA accounts is appropriate based on program termination rules;**
- **include employment status and termination date columns in the administrative billing detail provided to ETF; and**
- **work with payroll centers to ensure termination information is reported consistently.**

TASC Management Response: Management partially agrees with the finding. There is a 45 day billing lead time. This combined with the 30 days a participant has post-termination to move to a retail account can lead to billing report inconsistencies. TASC can update the standard billing report to a custom report that shows the termination date. This report would have the information captured, but it will be dependent on payroll centers to send the termination date. Currently, some centers send eligibility end date, not termination date.

Responsible staff: EVP Customer Service

Completion Date: No later than September 30, 2017

Observations

1. Consistency of Data from Payroll Centers- The data provided to TASC by payroll centers is provided in varying format, frequency, and detail.

The FSA and HSA programs comprise of eight payroll centers, including the following:

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- Central Payroll (most state agencies)
- State Legislature
- University of Wisconsin System
- University of Wisconsin Hospital and Clinics
- Wisconsin Economic Development Corporation
- Wisconsin Housing and Economic Development Authority
- Beyond Vision (Formerly Wiscraft)
- State Courts Office

Payroll centers provide participant eligibility, enrollment, and contribution data files to TASC throughout the year. There is variability between the payroll centers, as many of them use different payroll systems, pay period frequencies and lengths, and even differ in the number of pay periods used to deduct contributions for certain programs. For example, the UW System pays its employees on biweekly, monthly, or 9-month frequencies. Another example: State Courts pays its employees biweekly, but deducts contributions for Health Care, Dependent Care, and Limited Purpose FSA programs over 26 pay periods; parking and transit deductions 12 pay periods; and HSA deductions are taken over 24 pay periods during the year. Further, the level of detail included in payroll center files varies between payroll centers. For example, several payroll centers only provide changes in enrollment in a file each pay period, while the UW System provides a “full file” of enrollment data for all employees, while other payroll centers only report enrollment changes through the TASC administrative portal.

TASC receives and uploads the files from payroll centers. Because the file formats are not always consistent, TASC uses different processes and data mapping to process different payroll centers’ information. More consistency in the data provided to TASC will streamline the process and reduce the likelihood that errors will be made.

Recommendation:

We recommend that all payroll centers:

- **work with TASC to use the same file specifications and include the same data elements to ensure consistency of the format by which contribution data is reported to TASC;**
- **provide actual contribution data to TASC each payroll cycle, including Beyond Vision, which does not currently report contributions each pay period;**

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- **deduct contributions from the same number of pay periods for all FSA and HSA programs; and**
- **provide full eligibility files to TASC each pay period. If the payroll center is unable to do this due to staffing limitations, the payroll center should at least provide employee termination dates to TASC so that accounts can be closed out properly.**

We recommend that all payroll centers using biweekly payroll cycles deduct contributions from the first two pay periods of every month.

We also recommend that TASC further evaluate the files received from payroll centers to identify other potential improvements in consistency between payroll centers and work with payroll centers to implement improvements.

Payroll Centers Responses: Most payroll centers indicated that they will work with TASC to improve the consistency of file specifications, deduction frequency, and termination reporting. Some payroll centers expressed concern of having staff available to make the changes. Each payroll center's formal response is included in **Appendix B.**

TASC Management Response: Management agrees with the observation. It would be beneficial to streamline the types of files and the format of the files for all payroll centers. Currently TASC administers mapping differently for each payroll center. TASC can evaluate the current file state and work with the payroll centers to update files. However, the completion of this would be determined by the payroll centers and the resources they have to make the changes. As a next step TASC will review the current state of the files and work with the payroll centers to make changes.

Responsible staff: EVP Customer Service

Completion Date: Implementation dependent on payroll center availability

2. *Process to Transfer Participants between Payroll Centers-* The process used when participants transfer employment between payroll centers is not consistent with guidance provided, which can result in exceeding annual contribution limits.

Within ETF's administrative guide, payroll centers are instructed to complete a form for participants transferring employment to a different payroll center. The form is used to report the participant's employment information, enrollment in FSA or HSA programs, election amounts, contributions to date, and current pay period contribution amounts. The form is to be completed by the current payroll center prior

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to the participant's termination date and provided to TASC, since payroll centers can only view the participant contributions made while employed by the current payroll center.

During our testing, we found that transfer forms are not always completed by payroll centers, not completed timely, or not completed accurately to include the last payroll contribution for the participant. In several cases, payroll centers did not include all future contributions through the participants last payroll contribution date on the form, which resulted in the participant's total contributions exceeding the annual limit.

Recommendation:

We recommend that improvements to the process used to transfer a participant between payroll centers be considered. Specifically, we recommend that:

- **the transfer form be clarified to include the last payroll deduction date, contributions to date, and the contributions expected through the last payroll deduction date.**
- **payroll centers complete the forms, when necessary, and provide them to TASC and the new payroll center in a timely manner; and**
- **future administrative guidance and training provided to payroll centers emphasize the importance of completing transfer forms and the process by which they should be completed.**

TASC Management Response: Management agrees with the observation. Recommendation one, update to the transfer form, can be added to provide clarity to the payroll centers. Recommendation two, timely completion and submission of the form, is outlined as expected current process in the administrative manual, no changes needed by TASC. Recommendation three, payroll center training that emphasizes importance of completing transfer forms, is part of TASC current training structure. TASC can provide additional training on an as-needed basis.

Responsible staff: EVP Customer Service

Completion Date: Form will be changed no later than September 1, 2017.

Training to follow dependent on payroll center availability.

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Payroll Center Responses: Most payroll centers agree with the recommendation and several indicated they already follow the guidance for transfers. Each payroll center's formal response is included in **Appendix B**.

Conclusion:

The Office of Internal Audit evaluated the controls and accuracy of the processing of contributions for Flexible Spending Accounts and Health Savings Accounts and TASC's process for billing ETF for administrative fees. Although we did not identify material errors in contribution accuracy or administrative billing, we have identified deficiencies with the controls around both processes. Based on our review, we identified five findings and noted several observations of process improvements for TASC, ETF, and payroll centers to consider.

Schedule of Findings and Observations

Findings

1 *Inadequate controls to ensure contribution data posted to system*

Recommendation	Response	TASC	ETF	Payroll Center
Implement control to ensure contribution data posted completely and accurately	TASC partially agrees. TASC stated they have a process to reconcile FSA contributions and plan to reconcile HSA contributions in a similar way going forward.	X		
Implement controls to ensure manual adjustments are accurate	TASC did not address this recommendation in the response.	X		

2 *Inadequate controls to ensure contributions withheld, reported, and paid agree*

Recommendation	Response	TASC	ETF	Payroll Center
Implement controls to ensure contributions withheld, reported, and paid agree	Most payroll centers agree and several stated they already had a process in place to reconcile these amounts.			X
Process contribution adjustments through contribution file	TASC did not address this recommendation in the response. Most payroll centers agree and several stated that adjustments are already processed through contribution files.	X		X

3 *Inadequate controls to ensure total contributions comply with annual limits*

Recommendation	Response	TASC	ETF	Payroll Center
Implement system control limiting contribution according to program rules	TASC stated that resolution for this recommendation is dependent on their vendor for the EV1 (WEX) system, with a goal of implementing it September 2017.	X		
Review total FSA contributions in Plan Finalization Report	ETF agrees and plans to implement by June 2018.		X	
Complete annual review of employer HSA contributions	Most payroll centers agree and several stated they already had a process in place to review this.			X

4 *Inadequate review of Plan Finalization Report*

Recommendation	Response	TASC	ETF	Payroll Center
Implement thorough review of Plan Finalization Report	ETF agrees and plans to implement by June 2018.		X	

5 *Administrative fees overbilled to ETF for terminated HSAs*

Recommendation	Response	TASC	ETF	Payroll Center
Implement controls to avoid billing ETF for terminated HSAs	TASC partially agrees with the finding but did not state what controls they would implement to avoid billing terminated HSAs to ETF.	X		
Review billing process to ensure billing for terminated FSAs is appropriate	TASC partially agrees with the finding but did not state that they would review the billing process for FSAs.	X		
Include employment status in administrative billing detail	TASC partially agrees with the finding but did not state that they would include employment status in administrative billing detail. TASC stated that they would build a custom report to include termination date.	X		

Schedule of Findings and Observations

Observations

1 *Inconsistency of data from payroll centers*

Recommendation	Response	TASC	ETF	Payroll Center
Use same file specifications and data elements in data	Most payroll centers indicated that they will work with TASC to improve the consistency of files, deduction frequency, and termination reporting. Some payroll centers expressed concern about having time available to make the necessary changes.			X
Provide full eligibility files or participant termination information				X
Provide contribution data to TASC each pay period				X
Use same 24 pay period for biweekly deductions				X
Further evaluate files provided by payroll centers	TASC agrees with the observation, will review current files, will also work with payroll centers to make changes.	X		

2 *Process for transferring participants not consistently followed*

Recommendation	Response	TASC	ETF	Payroll Center
Clarify transfer form	TASC agrees with the observation and plans to make changes to the form by September 2017.	X		
Complete transfer forms when necessary	Most payroll centers agree with the observation or already have a process in place.			X
Provide guidance and training on transfer forms	TASC agrees and will provide additional training to payroll centers as needed.	X		

Payroll Center Responses

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Date: August 22, 2017

To: Amelia Slaney
WI Employee Trust Funds, OIA

From: Dennis Dissmore, Chief of Central Payroll
DOA/Central Payroll Section

Subject: TASC Audit Response

This memo is in response to the OIA's 2017 audit of the processes related to the HSA and FSA programs administered by TASC. These answers from the Executive Branch's Central Payroll Section are specific to questions directed to payroll centers.

FINDINGS

2) Inadequate controls to ensure contributions withheld, reported, and paid agree

Recommendation: Implement controls to ensure contributions withheld, reported, and paid agree

Response: A member of our support team now reconciles our biweekly payments to our deduction remittance and PVR file. She reports the differences to affected payroll offices and to ETF in an email message. The deduction remittance report was found to be missing data from reversed paychecks so a request to correct the report has been submitted to our development team.

Responsible Staff: Lisa Tesch

Completion Date: October 31, 2017

Recommendation: Process contribution adjustments through contribution file

Response: We are now sending adjustments through on the contribution file, including negative adjustments. My staff indicated that as long as TASC knows in advance what the adjustment is for, the process works.

Responsible Staff: Dennis Dissmore

Completion Date: August 22, 2017

3) Inadequate controls to ensure total contributions comply with annual limits

Recommendation: Complete annual review of employer HSA contributions

Response: Our PeopleSoft system has configurable limits so our examples of exceeding the annual limits must be caused by transfers between payroll centers. We will continue to remind payroll staff to fill out the transfer form and report year-to-date amounts when an employee transfers out of a payroll center. We will work with TASC

and our internal support team to see if there is a way for us identify transfers throughout the year and double check the expected total contributions. In addition, we run a query every payroll to identify employees who have an override set up on their deductions. If we find any, we reach out to the agency to find out what they are trying to do. These are normally fixed before payroll is processed.

Responsible Staff: Dennis Dissmore

Completion Date: December 31, 2017

OBSERVATIONS

1) Inconsistency of data from payroll centers

Recommendation: All four related to payroll centers

Response: We will work with other payroll centers and TASC to work out a reasonable consistency on file specifications, deduction frequency and termination reporting. Due to other important projects and resource limitations we will not be able to start this phase until spring of 2018.

Responsible Staff: Dennis Dissmore

Completion Date: June 30, 2018

2) Process for transferring participants not consistently followed

Recommendation: Complete transfer forms where necessary.

Response: We will continue to remind payroll staff to fill out the transfer form and report year-to-date amounts when an employee transfers out of a payroll center. We are seeing improvement in this area now.

Responsible Staff: Dennis Dissmore

Completion Date: October 31, 2017

ETF TASC Audit Response – Wisconsin Legislature

Findings

1. Accuracy of Contributions Posted to Participant Accounts.
 - a. Responsible staff: NA – applies only to TASC
 - b. Completion Date: NA
2. Reconciliation between Contributions Withheld, Reported and Paid.
 - a. Responsible staff: Currently the Legislature transmits deductions/adjustments through the STAR PS “FSA Commuter Payroll Interface” and “HSA Payroll Interface” files to TASC after each monthly payroll is confirmed. Before the interfaces are sent, the interface file totals are verified against the STAR PS “Payroll Summary Report” to verify accuracy. If discrepancies exist between what TASC is expecting and what the Legislature sends on the interface files, TASC notifies the Legislature for immediate resolution (terms, LOAs, Commuter Benefit deduction suspension etc.). Were issues identified within the Legislative Payroll Center? If so, please identify so we can develop enhancements to our current process.
 - b. Completion Date: Pending based on ETF feedback.
3. Compliance with Program Contribution Limits.
 - a. Responsible staff: Beginning in August of each year, the Legislative Payroll Center will begin comparing YTD contribution reports generated from TASC with current monthly payroll contribution amounts. Using this data, we will project the year end contribution amount to verify Program Contribution Limits are not exceeded.
 - b. Completion Date: Immediately.
4. ETF’s Review of the Annual Plan Finalization Report.
 - a. Responsible staff: NA – applies only to ETF
 - b. Completion Date: NA
5. Administrative Billing for Terminated Participants.
 - a. Responsible staff: NA – applies only to TASC
 - b. Completion Date: NA

Observations

1. Consistency of Data from Payroll Centers.
 - a. Responsible staff: The Legislative Payroll Center uses the STAR PS systems to report data to TASC and ETF. Any changes need regarding STAR PS Central reporting should apply to the Legislature as well.
 - b. Completion Date: Pending
2. Process to Transfer Participants between Payroll Centers.

- a. Responsible staff: The Legislative Payroll Center uses the STAR PS Central transfer protocol. Any changes need regarding STAR PS Central protocol should apply to the Legislature as well.
- b. Completion Date: Pending

To: Amelia Slaney, CPA
Office of Internal Audit
Wisconsin Department of Employee Trust Funds
Phone (608) 261-7242
Amelia.Slaney@etf.wi.gov

From: Val Quinn, HRIS Benefits Business Analyst
University of Wisconsin System
Phone (608) 265-1453
vquinn@uwsa.edu

Val Quinn 8/21/17

Date: August 21, 2017

Re: ETF OIA TASC Audit Report Response

Listed below are the UW System responses to ETF OIA TASC Audit Report Response dated August 4, 2017

Section 2

Recommendation: *We recommend that all payroll centers implement a control to ensure deductions taken from participants' payroll, contribution data reported to TASC, and payroll center's payment made to ETF and TASC for the contributions all agree. Payroll centers could also track discrepancies between amounts withheld, reported, and paid to help ensure that the variances are resolved in an upcoming pay period.*

In addition, we recommend that all necessary adjustments affecting the dollar value of contributions be processed through the contribution file during the upcoming pay period rather than through a manual adjustment process.

Response: At UW System we currently send a file with list of contributions and adjustments to an employee's account to TASC after every payroll confirm. At the same time we send the contribution file to TASC we send a summary of the contribution totals to the finance department. Finance then sends the funds to ETF for FSA and TASC for HSA based on the summary sent. Very rarely, if at all, do we do manual adjustments here at UW System.

Section 3

Recommendation: *We recommend that controls be implemented to help ensure that annual contribution limits for programs are not exceeded. Specifically, we recommend that:*

- payroll centers review employer contributions for HSA programs prior to each year end to ensure they are compliant with program rules, and that necessary corrections can be made;

Response: At UW System we currently review the contributions prior to the end of the year to ensure they are compliant. We run a pivot table prior to every pay calc to ensure that the HSA ER contribution is provided correctly each pay period to participant accounts, based on the HDHP coverage level (single/family) and full-time or less-than-half-time statuses. Based on HSA program rules, the employer HSA contribution provided is based on HDHP coverage level. IRS Notice 2004-50 states that an employer is only responsible for determining whether the employee is covered under an HDHP or any low-deductible health plan sponsored by the employer, so we are in compliance with program rules regarding ER contributions. There are always a few employees that may get overpaid on the employer share due to changing mid-year from family coverage to single coverage. The UW does not refund the overage and is willing to take the risk of noncompliance.

Observations Section 1

Recommendation: We recommend that all payroll centers:

- work with TASC to use the same file specifications and include the same data elements to ensure consistency of the format by which contribution data is reported to TASC;
- provide actual contribution data to TASC each payroll cycle, including Beyond Vision, who does not currently report contributions each pay period;
- deduct contributions from the same number of pay periods for all FSA and HSA programs; and
- provide full eligibility files to TASC each pay period. If the payroll center is unable to do this due to staffing limitations, the payroll center should at least provide employee termination dates to TASC so that accounts can be closed out properly.

We recommend that all payroll centers using biweekly payroll cycles deduct contributions from the first two pay periods of every months.

Response: At UW System we believe that our files are consistent with the way TASC would like them (there may be some minor tweaks that we will make for 2018) and we currently provide full eligibility files to TASC each week on Wednesdays. For 2018 we plan on making the changes to our system that would deduct HSA and FSA in 24 pay periods (first two pay periods in the month) starting in 2018. We plan on communicating this during the annual benefits enrollment period.

Observations Section 2

Recommendation: We recommend that improvements to the process used to transfer a participant between payroll centers be considered. Specifically, we recommend that:

- the transfer form be clarified to include the last payroll deduction date, contributions to date, and the contributions expected through the last payroll deduction date.
- payroll centers complete the forms, when necessary, and provide them to TASC and the new payroll center in a timely manner; and
- future administrative guidance and training provided to payroll centers emphasize the importance of completing transfer forms and the process by which they should be completed.

Response: At UW System we currently are completing and submitting transfer forms to TASC and the new state agency for all employees who transfer to another state agency.

Vae Quinn 8/21/17



MEMO

To: Amelia Slaney, Office of Internal Audit

From: Kathi Skemp, Benefits Analyst

Date: August 23, 2017

Subject: Response to Audit Recommendations

Outlined below are UW Hospitals and Clinics (UWHC) response to the Recommendations outlined in the ETF Office of Internal Audit's audit of TASC.

Finding #2 Recommendation:

We recommend that all payroll centers implement a control to ensure deductions taken from participants' payroll, contribution data reported to TASC, and payroll center's payment made to ETF and TASC for the contributions all agree. Payroll centers could also track discrepancies between amounts withheld, reported, and paid to help ensure that the variances are resolved in an upcoming pay period.

In addition, we recommend that all necessary adjustments affecting the dollar value of contributions be processed through the contribution file during the upcoming pay period rather than through a manual adjustment process.

Payroll Center Responses:

UWHC currently has these processes in place:

- After each payroll the Payroll Department runs a process that sends a file to TASC's FTP site which contains all of the payroll deductions from the recently processed paycheck
- The Accounts Payable (AP) Department then issues a check that matches the amount of the deductions and clears the account where the deducted funds were held
- Variances in the account are monitored by AP to verify the amount withheld from the paychecks, matches the file and associated check sent to TASC
- We currently process all adjustments through an upcoming payroll period rather than handle as a manual adjustment

Responsible staff:

- UWHC Payroll Department processes the bi-weekly payroll and generates the report sent to TASC
- AP Department processes the check and verifies the amount matches the payroll deduction total



- Benefits Specialists process any changes and verify the Payroll Department is notified in a timely manner so adjustments can be made on a future pay check and then submitted to TASC

Completion Date: Current process, no updates made

Finding #3 Recommendation:

We recommend that controls be implemented to help ensure that annual contribution limits for programs are not exceeded. Specifically, we recommend that:

- TASC implement system controls to limit contributions by the annual program limits for FSAs;
- payroll centers review employer contributions for HSA programs prior to each year end to ensure they are compliant with program rules, and that necessary corrections can be made; and
- ETF review total FSA contributions by participant when reviewing the annual Plan Finalization Report to ensure they are compliant with program rules.

Payroll Center Responses: UWHC currently has our payroll system coded with the maximum amounts an employee may contribute (including employer contributions) for the applicable benefit year, we also manually verify the employee does not exceed the maximum HSA limit between their contributions and the employer contributions. We are also implementing audits to verify the employee receives the correct employer contribution if they change plan status (i.e. Family to Single or vice versa) during the benefit year.

Responsible staff: Benefits Analyst
Completion Date: October 31, 2017

Observation #1 Recommendation:

We recommend that all payroll centers:

- work with TASC to use the same file specifications and include the same data elements to ensure consistency of the format by which contribution data is reported to TASC;
- provide actual contribution data to TASC each payroll cycle;
- deduct contributions from the same number of pay periods for all FSA and HSA programs; and
- provide full eligibility files to TASC each pay period.



We recommend that all payroll centers using biweekly payroll cycles deduct contributions from the first two pay periods of every month.

We also recommend that TASC further evaluate the files received from payroll centers to identify other potential improvements in consistency between payroll centers and work with payroll centers to implement improvements.

Payroll Centers Responses: We are working with TASC to verify the file we currently send includes the information outlined above. My understanding is that we are doing the majority of the items requested, I am also verifying we are sending it in an acceptable format.

We are also checking to see if we are able to update the deductions for the benefits sent to TASC from 26 paychecks per year to 24 paychecks per year beginning with the 2018 plan year. I have asked for a response to this question by Friday September 1.

Responsible staff: TASC, Benefits Analyst with the assistance of IS/HRIS

Completion Date: As soon as we receive a response from TASC with required updates and a reply internally regarding changing the deduction frequency.

Observation #2 Recommendation:

We recommend that improvements to the process used to transfer a participant between payroll centers be considered. Specifically, we recommend that:

- **the transfer form be clarified to include the last payroll deduction date, contributions to date, and the contributions expected through the last payroll deduction date.**
- **payroll centers complete the forms, when necessary, and provide them to TASC and the new payroll center in a timely manner; and**
- **future administrative guidance and training provided to payroll centers emphasize the importance of completing transfer forms and the process by which they should be completed.**

Payroll Center Responses: It is our goal to have all transfer forms completed and sent to the new employer within 5 business days of the employee actually terminating employment. In addition we look forward to receiving the updated form and additional training once it is available.

Responsible staff: Benefits Specialist

Completion Date: Have implemented Five (5) business day turnaround. Will use new form and attend additional training once these items are available.

ETF TASC Audit Response – Wisconsin Economic Development Corporation

Findings

2. Reconciliation between Contributions Withheld, Reported and Paid- WEDC has implemented a control to ensure deductions and payments match by verifying payroll register against payment remittance form.
 - a. Responsible staff: Payroll & Benefits Specialist
 - b. Completion Date: On-going

3. Compliance with Program Contribution Limits- WEDC will add a checklist item to our year end process to review HSA contributions.
 - a. Responsible staff: Payroll & Benefits Specialist and/or HR Assistant
 - b. Completion Date: End of Year

Observations

1. Consistency of Data from Payroll Centers- WEDC is fully on board with this recommendation. IF TASC will support it, we will implement for 2018.
 - a. Responsible staff: Payroll & Benefits Specialist and/or HR Assistant
 - b. Completion Date: January 2018

2. Process to Transfer Participants between Payroll Centers- WEDC is already compliant with this recommendation.
 - a. Responsible staff: Payroll & Benefits Specialist
 - b. Completion Date: On-going

ETF TASC Audit Response – Wisconsin Housing and Economic Development Authority

Findings

2. Reconciliation between Contributions Withheld, Reported and Paid- WHEDA already has an internal process for contribution/payment reconciliation. This process reconciles employee contributions (per pay) to the payments to ETF/TASC.
 - a. Responsible staff: WHEDA HR- Jamie Malliet/WHEDA Finance- Heidi Gordon
 - b. Completion Date: 8/21/2017

3. Compliance with Program Contribution Limits- WHEDA reviews HSA contributions prior to the end of plan year.
 - a. Responsible staff: WHEDA HR- Jamie Malliet
 - b. Completion Date: 8/21/2017

Observations

1. Consistency of Data from Payroll Centers- As far as we know, we are using the file specs recommended for the PVR/payroll file. WHEDA does not provide eligibility files to TASC each payroll (this was not a requirement when TPA was initiated), however, we do provide updates via the TASC Administrative portal as well as notify TASC of terminations. Beginning 1/1/2018, we would move to deduction contributions from the first 2 ppds of every month is TASC will make this default when participants enrolls during open enrollment. We would need to know this BEFORE open enrollment began in October 2017.
 - a. Responsible staff: WHEDA HR- Jamie Malliet

2. Process to Transfer Participants between Payroll Centers- WHEDA already completes the Transfer form when necessary. The happens 1-3 times/year for us.
 - a. Responsible staff: WHEDA HR- Jamie Malliet/Ann Wetley
 - b. Completion Date: 8/21/2017

Slaney, Amelia R - ETF

From: Dennis Martin <dmartin@beyondvision.com>
Sent: Thursday, August 31, 2017 5:36 PM
To: Slaney, Amelia R - ETF
Cc: Buettner, Robert - MUN
Subject: FW: ETF OIA TASC Audit Report
Attachments: OIA TASC Audit Report.pdf

Amelia:

Responses to Findings #2 and #3 and Observations #1 and #2 are as follows:

Finding #2:

Beyond Vision currently reconciles payroll data to the withholding contribution data with each payroll cycle. We agree with the recommendation to incorporate adjustments into the contribution file processing. Please refer to our response to Observation #1 regarding transmission of contribution files with each payroll cycle.

Finding #3:

Beyond Vision currently has only two employees utilizing the H.S.A. option. Yearend payroll files will be reviewed for compliance with annual contribution limitations.

Observation #1:

Beyond Vision currently has only 11 employees in the F.S.A. / H.S.A. programs. Consequently, mid-year changes to contribution data are very infrequent. Employee termination data is entered online by the HR director to insure timely and accurate entry of data. During the remainder of calendar 2017, Beyond Vision will research our ability through our IOI Payroll system to provide contribution data per payroll cycle.

Observation #2:

Beyond Vision views the likelihood of a Wiscraft employee transferring to another employer served by one of the other 7 payroll centers as extremely remote. In the unlikely event that a transfer actually occurs, the Beyond Vision HR department will seek the guidance of TASC regarding the use of the Payroll Transfer Form.

Amelia, please let me know if you have any questions regarding this response to the draft TASC audit.

Best regards,
Dennis Martin
Chief Financial Officer
5316 West State St.
Milwaukee, Wisconsin 53208
414-778-5800 (ext. 5836)
dmartin@beyondvision.com

From: Rob Buettner
Sent: Friday, August 18, 2017 4:11 PM

*Memorandum*STATE OF WISCONSIN
MANAGEMENT SERVICES

DATE: August 22, 2017

TO: Amelia Slaney

FROM: Margaret Brady

SUBJECT: ETF OIA TASC Audit

On August 8, 2017, I received a copy of the ETF OIA TASC Audit Report via e-mail from you. In your e-mail, you requested a formal response from the court system's payroll center addressing the recommendations in the report.

The Wisconsin Court System is in the process of a payroll conversion process and will be joining the STAR/Central Payroll system that is hosted by the Department of Administration. As part of the conversion process, the court system will be using the STAR Benefits Administration functionality and will be subject to the procedures used by other State of Wisconsin entities using the STAR. This includes activities associated with the enrollment and management of TASC administered benefit programs. The court system's conversion to the STAR system is scheduled to begin upon the opening of the It's Your Choice Benefit Enrollment period in October, 2017.

The court system provides the following response to recommendations for payroll centers:

Recommendation:

We recommend that all payroll centers implement a control to ensure deductions taken from participants' payroll, contribution data reported to TASC, and payroll center's payment made to ETF and TASC for the contributions all agree. Payroll centers could also track discrepancies between amounts withheld, reported, and paid to help ensure that the variances are resolved in an upcoming pay period.

In addition, we recommend that all necessary adjustments affecting the dollar value of contributions be processed through the contribution file during the upcoming pay period rather than through a manual adjustment process.

Court System Response:

The Director of State Courts Office's payroll center already performs at a level consistent with this recommendation. TASC contributions are monitored on a per pay period basis

and discrepancies are promptly corrected via the contribution file process whenever possible with allowances made for exceptional circumstances that may require manual adjustments.

Recommendation:

We recommend that all payroll centers:

- **work with TASC to use the same file specifications and include the same data elements to ensure consistency of the format by which contribution data is reported to TASC;**
- **provide actual contribution data to TASC each payroll cycle, including Beyond Vision, who does not currently report contributions each pay period;**
- **deduct contributions from the same number of pay periods for all FSA and HSA programs; and**
- **provide full eligibility files to TASC each pay period. If the payroll center is unable to do this due to staffing limitations, the payroll center should at least provide employee termination dates to TASC so that accounts can be closed out properly.**

We recommend that all payroll centers using biweekly payroll cycles deduct

contributions from the first two pay periods of every months.

We also recommend that TASC further evaluate the files received from payroll

centers to identify other potential improvements in consistency between payroll centers and work with payroll centers to implement improvements.

Court System Response:

The Director of State Courts Office's payroll center current practices align with this recommendation with the exception of the contribution schedule. Currently, some contribution deductions for TASC accounts are taken on a monthly basis. This monthly deduction schedule will change to the recommended practice upon the court system's conversion to the STAR system anticipated to be effective with the first pay period of calendar year 2018.

Recommendation:

We recommend that improvements to the process used to transfer a participant between payroll centers be considered. Specifically, we recommend that:

- **the transfer form be clarified to include the last payroll deduction date, contributions to date, and the contributions expected through the last payroll deduction date.**
- **payroll centers complete the forms, when necessary, and provide them to TASC and the new payroll center in a timely manner; and**
- **future administrative guidance and training provided to payroll centers emphasize the importance of completing transfer forms and the process by which they should be completed.**

Court System Response:

The Director of State Courts Office's payroll center agrees with this recommendation and maintains close communication and tracking of employees that transfer into the court system from other State of Wisconsin employers. In addition, the court system is diligent in providing transfer and enrollment information on a timely basis to TASC using the communication methods developed by TASC. The court system anticipates fewer errors in this area once the conversion to the STAR system is completed in 2018.

If you have questions or need additional information about this response, please call me at (608) 267-1940.

CC: Brian Lamprech

Attachment B

TASC Revised Responses (9/17/17) to Wipfli Findings

1: Segregation of Duties at TASC

TASC Management Partially Agrees.

TASC can put into place customized access for the premium service specialist. TASC can remove access to claims. TASC will work with our Administration team to shift work between individuals. If job duties cannot be shifted between individuals, TASC will create a report that captures any manual adjustments done on the State of WI account that include an employee stamp of who made the adjustment. A second review of these adjustments will be put into place if the job duties cannot be shifted.

Projected date of resolution: Confirmation of shifting work between individuals will be completed by October 1, 2017. The report will be completed and process implemented no later than October 1, 2017 if the shifting of work cannot occur.

2: Billing for Claims and Adjustments

TASC Management Agrees.

TASC can put into place a process to have another TASC employee review the monthly billing to ensure it is accurate. TASC will create a report that captures manual adjustments with an employee identification stamp indicating who made the adjustment. TASC can work with WI ETF to refine the weekly invoices, however, the current invoices were customized and agreed upon by WI ETF so they must approve any change.

Projected date of resolution: Report will be created no later than October 1, 2017. A second review of the monthly billing will begin with the first monthly billing in October.

3: Claims Substantiation and Payment

TASC Management Agrees.

TASC already has processes to ensure all claims are substantiated based on the proposed 5 step regulations as requested by WI ETF. The two examples in the observation rarely occur.

In the first observation, there was a storage methodology change in how TASC stored the substantiation documents. TASC simply was unable to locate this item. The default assumption is not that there is not substantiation at pay out.

For the second observation this participant attempted to use a known method called offset. In offset participants can offset a previous expense; for this sample the incorrect process was used. Per IRS regulations, participants can provide documentation for other expenses incurred within the same plan year but not reimbursed.

4: No Review or Reporting of Manual Adjustments

TASC Management Partially Agrees.

There is currently no report that TASC can run from the system. TASC will work with our Reports team to see if we can create a special report or data pull to accomplish. Also see response to Observation #2, pertaining to a second review.

As stated above, TASC will create a report that captures manual adjustments as well as an employee identification stamp indicating who made the adjustments. A secondary review of these adjustments will also be implemented.

Projected date of resolution: The report and secondary review will begin October 1, 2017.

5: Integrity of the EV1 (WEX) System Data

TASC Management Partially Agrees. TASC disagrees with the below statement from the recommendation. SSN are being consistently used within EV1. They were not consistently being used in the previous MyTASC system. When we moved to the EV1 platform SSN is a required field in order to enroll a participant. TASC does not utilize the SSN as the employee ID as TASC also requests the employer employee ID as well.

“TASC should work with the eight payroll centers to standardize and cleanse the employee data within EV1 to ensure that social security numbers are consistently being utilized for Employee ID.”

TASC will add the SSN field to reports sent to ETF/DTF so that they can utilize this as a unique identifier. TASC will leave the SSN off the reports that are sent to payroll centers and leave the employer employee id. TASC would prefer to only provide SSN on reports on an as needed basis to lower any possible threat and maintain participant personal data. SSN field will be added to the billing detail reports no later than November 1, 2017.

TASC will commit to implementing an additional carryover audit by running an account balance report prior to the carryover being moved by the system. TASC will then run another account balance report the day the carryover is moved to the next plan year. An audit will then be conducted using the available balance from the first report and the incoming carryover amounts from the second report to ensure the correct carryover amounts are being moved from one plan year to the next plan year. This process will occur every plan year between December 31 and January 4 depending on when the holiday falls in the plan year. Audit will be completed each plan year no later than January 31 of each plan year.

Projected date of resolution: TASC will have the SSN added to the Billing Detail report by November 1, 2017. The additional carryover audit process will be implemented in full by January 31, 2018.

TASC Revised Responses (9/17/2017) to OIA Findings

Finding 1: Accuracy of Contributions Posted to Participant Accounts-

Management partially agrees with the finding.

TASC has a process in place for tracking FSA benefit contributions and resolving variances through resolution that is functioning well. This is demonstrated by no FSA exceptions in this audit. Going forward TASC agrees to mirror the controls for FSA for HSA accounts beginning in August 2017.

The reconciliation that is pulled together for the FSA benefits and Commuter benefits takes the total dollar amount from each contribution file from payroll centers for each pay period and compares it to the total dollar amount posted to participant accounts per pay period. The variances are then tracked through completion and validated. Since this was put in place at DTF's request for the FSA, we do not complete the FSA and HSA together. The payroll centers send the money to TASC for the HSA. DTF holds the funds for the FSA and are invoiced based on point of claims.

TASC is committed to developing a process to have manual adjustments reviewed by a secondary resource. We will work with our Business Intelligence Team to develop a report that will aid in the secondary review. TASC has confirmed that a report can be used to review manual claims. The report and implementation of the review of manual contributions by a second employee will occur beginning October 1, 2017.

Who: EVP Customer Service

When: Per our discussion in 9/13/2017 meeting, HSA reconciliation implemented on August 1, 2017. The report and process mentioned above will be implemented beginning October 1, 2017.

Finding 2: Reconciliation between Contributions Withheld, Reported and Paid-

Management partially agrees with the finding.

TASC has a process in place for tracking FSA benefit contributions and resolving variances through resolution that is functioning well. This is demonstrated by no FSA exceptions in this audit. Please note that not all State of Wisconsin payroll centers send contribution files, and therefore would not be subject to this process. Going forward TASC agrees to mirror the controls for FSA for HSA accounts beginning in August 2017.

There is a process in place to make any contribution corrections via the file for payroll centers that send files. However, there are some cases where that cannot be done. For example, if a file is uploaded and participant contributions error out these would then be sent as a discrepancy to the payroll center and would need to be corrected via manual adjustment in EV1. Once a file is uploaded, any discrepancies cannot be loaded via file upload and must be done manually. In most of these cases, we have received the correct amount on the file but they just errored out upon import and then have to be manually entered.

As mentioned above, this review will occur within the manual adjustment review from finding 1. TASC will have this processes implemented October 1, 2017.

Who: EVP Customer Service

When: The review of manual adjustments will be implemented by TASC October, 1 2017.

Finding 3: Compliance with Program Contribution Limits-

Management agrees with the finding.

In order for TASC to implement a solution for this finding we need to work in conjunction with our vendor, WEX Health Systems. TASC commits to brainstorming an appropriate solution with WEX with the goal to implement as soon as feasible. TASC will hold this brainstorming session prior to October 15, 2017 and action will be taken according to findings from this session. If a preventative measure cannot be implemented, TASC will implement an annual review of contributions compared to annual elections for uniform coverage benefit accounts. This review will be completed in November of every plan year if the WEX vendor is unable to build this recommendation/control into their system. TASC will run a report and review annual election versus year to date contributions for each participant. If TASC finds that there are participants that are on track to over contribute or under contribute for the plan year, TASC will notify the payroll centers and request the payroll centers to make corrections via payroll contribution files prior to the last day of the plan year.

Who: EVP Customer Service

When: The brainstorming session with WEX will occur prior to October 15, 2017. The annual review process will be implemented no later than September 30, 2017. The annual review will occur in November of every plan year if the WEX vendor is unable to build the recommendation/control into their system.

Finding 4: ETF's Review of the Annual Plan Finalization Report-

TASC believes this finding is related to ETF process and controls, and accordingly will not provide a response as it doesn't apply to TASC.

Finding 5: Administrative Billing for Terminated Participants-

Management partially agrees with the finding.

TASC has confirmed that the report used to invoice administration fees for all benefits only includes active participants on the day that the report is run. This report excludes participants that have been terminated. However, because DTF requested that TASC bill 45 days in advance, there will always be some participants that terminate after TASC has billed ETF. There will also be new hire participants that will become active that TASC would not bill ETF for. TASC will commit to implementing a process to true up both the terminated participants as well as the active participants.

Because TASC has confirmed that this report only pulls active participants, TASC would be able to add the employment status to the billing detail. Termination dates would not be needed as there would not be any terminated participants on this report.

TASC has already begun this process and has met with all payroll centers except for one payroll center. TASC will continue to work with the payroll centers to ensure they are reporting terminations timely and are reporting them accurately.

Who: EVP Customer Service

When:

TASC will implement a termination true up process for participants billed to ETF that may terminate and a credit may be due. TASC will also implement a process to true up participants that become active and DTF should be billed. This process will be completed for both ERA and HSA benefits. These processes will be implemented no later than January 1, 2018 and will be a monthly process going forward (looking back and trueing up the previous month).

TASC will add the employment status to the billing detail report provided to DTF with the administration invoicing beginning with the December 2017 invoice.

TASC has already begun this process of working with the payroll centers and will continue to work with the payroll centers to ensure timely and accurately reported terminations. Initial meetings scheduled with the payroll centers and completed by September 30, 2017.

Observation 1: Consistency of Data from Payroll Centers-

Management agrees with the observation.

It would be beneficial to streamline the types of files and the format of the files for all payroll centers. Currently TASC administers mapping differently for each payroll center. TASC can evaluate the current file state and work with the payroll centers to update files. However, the completion of this would be determined by the payroll centers and the resources they have to make the changes. As a next step TASC will review the current state of the files and work with the payroll centers to make changes.

Who: EVP Customer Service

When: Implementation dependent on payroll center availability

Observation 2: Process to Transfer Participants between Payroll Centers-

Management agrees with the observation.

Recommendation one, update to the transfer form, can be added to provide clarity to the payroll centers. Recommendation two, update the administration guide to include more detailed transfer process to ensure timely completion and submission of the form. Recommendation three, payroll

center training that emphasizes importance of completing transfer forms, is part of TASC current training structure. TASC will commit to meeting with the payroll centers in late October/early November to train them on how the form should be filled out, when the form needs to be received, and answer any specific questions related to participant transfers.

Who: EVP Customer Service

When: Updated transfer form will be completed no later than October, 1 2017. Updated transfer process added to the administration guide will be completed no later than December 1, 2017. Payroll center training for transfer process will be completed late October, early November, 2017.