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Correspondence Memorandum

Date: October 31, 2017

To: Group Insurance Board

From: Yikchau Sze, Director
Office of Internal Audit

Subject: 2017-2019 Audit Plan Status

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

The following is a summary of the audit engagements completed or in progress and the status of other Office of Internal Audit (OIA) activities from May 17, 2017 through August 4, 2017.

This information was presented to the Audit Committee of the ETF Board on September 21, 2017.

Audit Engagements – Completed

- Death Benefit Calculations and Distributions
- Total Administrative Services Corporation (TASC) Contract Compliance Audit (co-sourced with Wipfli)

Audit Engagements – In-Progress

- Invoice Processing – Planning
- Benefits Administration System Data Conversion – Planning

Other Office of Internal Audit (OIA) Activities

- Launched the re-designed OIA intranet page

- Coordinated and assisted with the review of Service Organization Control reports

Reviewed and approved by Robert J. Conlin, Secretary

Electronically Signed 11/1/17

Board	Mtg Date	Item #
GIB	11.15.17	8E

- Assisted the Office of Strategic Health Policy in the contract renewal for the benefit programs administered by TASC

- Participated in the myETF audit and security requirement discussions

- Performed Third Party Administrator Audit oversight by reviewing draft Pharmacy Benefits Manager audit report and attending the kickoff meeting of WPS contract compliance audit

- Attended multiple Audit Command Language online trainings

- Tracked and reported the status of open audit issues to the Audit Committee through the quarterly Open Audit Issue Report (see attached)

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

Attachment: Open Audit Issues Memo and Detailed Report

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WISCONSIN DEPARTMENT OF EMPLOYEE TRUST FUNDS

State of Wisconsin
Department of Employee Trust Funds
Robert J. Conlin
SECRETARY

Correspondence Memorandum

Date: September 14, 2017

To: Audit Committee

From: Yikchau Sze, Director
             Office of Internal Audit

Subject: Open Audit Issues Report

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

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

Open Audit Issues Summary

Audit	Management Corrective Actions					OIA Follow-up
Office of Internal Audit	**Closed**	**In Progress**	**Open**	**Over Due**	**Total**	**Acceptance Audit**
Mobile Computing Device Audit	4	1	0	0	5	N/A
Income Continuation Insurance	6	2	2	1	11	N/A
Health Insurance Eligibility	5	0	1	0	6	N/A
WRS Employer Reporting	3	0	2	0	5	N/A
Full File Compare	3	1	0	0	4	N/A
OFAC Compliance	1	1	0	0	2	N/A
Tax Reporting and Tax Payment	2	0	0	0	2	N/A
	24	5	5	1	35	

Compared with last quarter's status report, one more corrective action item was closed.

Attachment: Open Audit Issues Detailed Report

Audit	Report Date	Recommendations	Management Responses	Responsible Staff	Estimated Completion Date	Status
Mobile Computing Device Audit - Part I, Laptops and Tablets	November 2014	Establish and document asset management processes	Update and improve IT assets tracking; develop asset tracking policy; Utilize IT Asset Management software provided by STAR	Steven Mueller	March 2016	Closed
		Enhance controls over laptops dedicated for training	Inventory laptops dedicated for training; register loaner mobile devices		November 2014	Closed
		Enhance security measures	ETF will leverage DET's security measures after completing ETF's infrastructure re-hosting project at DET and after DET finishes its pilot project with DOR in April 2017		August 2017	Closed
Mobile Computing Device Audit – Part II, Removable Media Security	January 2015	USB Port Functionality	Re-advertise ETF-Issued Computing Device Policy with potential of revisiting the issue after completion of the infrastructure re-hosting project at DET	Steven Mueller	Moved out to July 2018	In progress (On hold)
		Compliance with Non-ETF Issued Personal Computing Device Policy	Train a second technician on the process; review and update procedures		April 2014	Closed
Income Continuation Insurance (ICI) Enrollment and Premium Reporting	August 2015	**To be followed-up by the Division of Retirement Services (DRS):**				
		Enhance Third Party Administrator (TPA) management	See Action Plan in the report	Deb Roemer and Kathy Wienkes	August 2017	Closed
		Initiate external monitoring by having Wipfli include the enrollment process as part of its engagement			February 2016	Closed
		Implement a monitoring procedure for evidence of insurability (EOI) applications to ensure timely follow up			January 2017	Overdue
		Apply the same rules for determining the coverage effective date across all enrollment opportunities			Moved out to Feb 2018	In progress (on hold)
		Provide additional employer training and update ICI employer administration manuals			Manuals: March 2016	Closed
					Procedures: July 2016	Closed
		Improve communication between the Disability Program Section (DPS) and Employer Services Section (ESS)			November 2016	Closed
		Establish an enrollment database			January 2018	Open
		To be followed-up by Division of Trust Finance (DTF):				
		Add an adjustment column to the Monthly Premium Report	See Action Plan in the report	Cindy Klimke-Armatoski	May 2016	Closed
		Foot and cross-foot the Monthly Premium Reports			September 2015	Closed
		Begin plans for the foundation of the BAS database needed by 1/1/18			January 2018	In progress
		Calculate all premiums, employee and employer, uniformly (will happen when ETF begins invoicing employers with roll-out 2 of the BAS project planned for 1/1/18)			January 2018	Open

Audit	Report Date	Recommendations	Management Responses	Responsible Staff	Estimated Completion Date	Status
Health Insurance Eligibility - Dependent Spouses & Domestic Partners	September 2015	ETF should proactively identify divorced health care participants by enhancing internal communications when a form is received that may indicate divorce or termination of a domestic partnership (DP) information	Division of the Retirement Services has taken the following actions Added a component to its Domestic Relations Order procedure to have Member Services Bureau staff send a job to the Employer Services Section after they review WRS-related divorce documents to make sure the changes are made to the health insurance coverage. Also DRS added content to ET-4928, the form that ETF sends to acknowledge the receipt of a Domestic Relations Order, stating that it is the member's responsibility after divorce or a termination of a DP to notify their employer so their former spouse or domestic partner can be removed from their insurance coverage Inquired about the feasibility of using queries from the Wisconsin Circuit Courts Access (WCCA) System for data cross checking and concluded that the use of WCCA does not appear to be practical.	Kathy Wienkes - ESS	October 2017	Closed (as of February 2016)
		ETF should improve communication, education, and increase awareness of compliance requirements	The Employer Services Section (ESS) will ensure this topic is included in the 2017 IYC open enrollment period materials.	Kathy Wienkes - ESS	November 2016	Closed
			Additionally, ESS will work on getting this topic highlighted in all future communications on the ETF website. This will include revisions to both the state and local health insurance employer administration manuals.			Closed
			The Office of Strategic Health Policy (OSHP) and ESS plan to work with DOA for potential work rule mandate of timely coverage removal upon divorce or other qualifying event. OSHP also plans on reviewing and potentially modifying both the state and local health insurance contracts with health providers to provide that timely notice of a qualifying event must be given to the employers.	Lisa Ellinger - OSHP	November 2017	Open
		ETF should enhance communication and provide clear instructions to employers to improve COBRA compliance	ESS is currently providing training through webinars on COBRA compliance to employers. However, ESS plans to cover this topic in greater detail in the "Health Insurance Eligibility" and "MyETF Benefits" employer webinars. ESS plans to continue these employer webinars year round.	Kathy Wienkes - ESS	October 2016	Closed
			In addition, ESS plans to update both the state and local employer health insurance manuals in order to cover the employer requirements on this topic in greater detail.		January 2016	Local Manual Closed
					November 2015	State Manual Closed (Chapter 5, Section 505)

Audit	Report Date	Recommendations	Management Responses	Responsible Staff	Estimated Completion Date	Status
WRS Employer Reporting	March 2016	**To be followed-up by DRS:**				
		Expand the Employer Compliance Review Program to include: hours, payroll screen shots, sample testing ineligible employees on an employer's payroll	DRS will broaden its review to include a sampling to verify employee hours and ineligible employees. In addition, DRS will include more samples of payroll screen shots for applicable employers.	Jeff Miller	Second Quarter of 2016	Closed
		Follow-up with employers who routinely report and/or pay late and provide education and/or training	DRS ESS case manager will follow-up with the employers identified by this audit, the monthly remittance report tracking sheet and staff. The follow-up will serve as an opportunity to educate the employers and answer any questions they have.	Kathy Wienkes	July 2016	Closed
		Educate employers on sending PII information securely	DRS will work with OPPC to communicate privacy risks and tips to employers	Matt Stohr	Next 2016 Employer Bulletin	Closed (Sept 2016)
		Collect WRS earnings and hours at the employee level more frequently than on an annual basis	Will be in place with BAS Rollout 2	Matt Stohr	January 2018	Open
		To be followed-up by DTF:				
		Charge interest when employers do not report earnings and contributions timely	Will be in place with BAS Rollout 2	Laura Vang	January 2018	Open
Full File Compare Process	May 2016	**To be followed-up by DRS:**				
		Improve management oversight; create detailed procedures and work manual; define and standardize communication protocols with health plans	Management agreed with the recommedentations and will implement corrective actions based on the resource availability and priority.	Jaymee Meier	January 2017	Closed
		Evaluate the data being compared by the FFC to align the reconciliation effort with the objective of the process; review the data being captured by MEBS to ensure only accurate and relevant data will be migrated to BAS		Matt Stohr	December 2017	In progress
		Communicate and coordinate with the health plans for a synchronized and prioritized approach to eliminate the accumulative effect of delayed FFC exception resolution		Matt Stohr	November 2016	Closed
		To be followed-up by Bureau of Information Technology Services (BITS):				
		Monitor account access activities of the secured FTP site and disable inactive accounts	Current inactive accounts were disabled; monitoring would be implemented in July	Mark Robinson	August 2016	Closed
OFAC	November 2016	Document all procedures used to verify OFAC Compliance and conduct risk assessment of OFAC compliance	Management agreed with the recommendation	Blain Parsons	January 2017	Closed
		Consider incorporating system controls in BAS implementation	Management agrees a system control would be ideal and has requested the implementation of a warning feature to be considered as part of the BAS project. In addition, management has requested the payroll process be enhanced to include an automated solution for the overall OFAC process a part of the BAS project.		Late 2019	In progress
Tax Reporting and Tax Payment-Withholding	January 2017	Develop written procedures to document the improved withholding tax process that is currently in place	Management will ensure the state and federal withholding tax process is fully documented	Blain Parsons	March 2017	Closed

Open Audit Issues Report as of August 2017						
Audit Findings - Internal Audit						
Audit	Report Date	Recommendations	Management Responses	Responsible Staff	Estimated Completion Date	Status
		Start cross-training a backup person once the procedure s are documented	Until additional staffing is approved and hired, management will work with existing staff to train and provide backup of essential tax functions.			Closed