



STATE OF WISCONSIN  
Department of Employee Trust Funds  
Robert J. Conlin  
SECRETARY

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of Employee Trust Funds  
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## Correspondence Memorandum

**Date:** January 25, 2019  
**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 Board 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 August 25, 2018, through January 25, 2019.

Most information included in this memorandum was presented to the Audit Committee of the Employee Trust Funds Board on December 13, 2018

### Engagement Completed

- Annuity Estimate Review

### Engagements In-Progress

- IT Assets Management Audit – Draft Report
- COOP Audit – Draft Report
- Periodic Review of Final Annuity Calculations – Fieldwork

### Other Activities

- Partnered with Division of Retirement Services in conducting employer WRS compliance review
- Performed Third Party Administrator (TPA) audit oversight by
  - Participating in the development and review of the RFP for the TPA contract compliance audit
  - Assisting the Bureau of Information Security Management in the development of monitoring process for SOC 2 Type 2 reviews
- Conducted annual review and update to the Internal Audit Charter

Reviewed and approved by Robert J. Conlin, Secretary

Electronically Signed 1/29/19

Board	Mtg Date	Item #
GIB	2.20.19	9K

- Attended Association of Public Pension Fund Auditors Professional Development Conference in Philadelphia, and other training opportunities around Madison area. All staff are expected to meet the annual 40 CPE hours as required by the IIA Standards
- Tracked the status of open audit issues through the quarterly Open Audit Issue Report (see attachment A)
- Monitored activities of fraud hotline and conducted necessary research to follow up on reported instances (see attachment B, where 2 incidents were reported as of November 16)

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

Attachment A: Open Audit Issues Memo

Attachment B: Open Audit Issues Detailed Report

Attachment C: ETF Hotline Memo

Attachment D: Ethical Advocate Report



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## *Correspondence Memorandum*

**Date:** November 16, 2018

**To:** Audit Committee Members

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

**Subject:** Open Audit Issues Report

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

Office of Internal Audit (OIA) updates the Open Audit Issues report quarterly based on status reported by management. Management is responsible for timely completion of actions that address audit findings. OIA is responsible for tracking progress reported by management and formally accepting 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.

OIA has planned a follow-up audit on the Mobile Computing Device Audit to ensure that management has sufficiently addressed audit recommendations.

### Open Audit Issues Summary

Audit	Audit Recommendations				Total	OIA Follow-up
	Closed	In Progress	Open	Over Due		Acceptance Review
Mobile Computing Device Audit	4	1	-	-	5	Planned
Income Continuation Insurance	10	1	-	-	11	TBD
OFAC Compliance	1	-	1	-	2	N/A
TASC	5	4	1	-	10	N/A
Non-Retirement Program Payments Audit	-	-	1	-	1	N/A
	42	6	3	-	51	

Compared with last quarter's status report, one new open item was added to the table as the result of recently completed audit. Management also completed 3 more action items, which resulted in the completion of all action items for the Cash Reconciliation Process audit and the HIPAA Privacy and Breach Notification Compliance audit, the two audits conducted in 2018.

Attachment: Open Audit Issues Detailed Report

Open Audit Issues Report as of November 9, 2018							
Audit Findings - Internal Audit							
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	Steve 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	Steve Mueller	<del>September 2018</del> November 30, 2018	In progress	
		Compliance with Non-ETF Issued Personal Computing Device Policy	Train a second technician on the process; review and update procedures		April 2014	Closed	
Income Continuation Insurance (ICI) Enrollment and Premium Reporting	August 2015	<b>To be followed-up by the Division of Retirement Services (DRS):</b>			Jim Guidry and Kathy Wienkes		
		Enhance Third Party Administrator (TPA) management	See Action Plan in the report	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		Closed	
		Apply the same rules for determining the coverage effective date across all enrollment opportunities		Moved out to Feb 2019		Closed	
		Provide additional employer training and update ICI employer administration manuals		Manuals: March 2016 Procedures: July 2016		Closed Closed	
		Improve communication between the Disability Program Section (DPS) and Employer Services Section (ESS)		November 2016		Closed	
		Establish an enrollment database		TBD		In progress	
<b>To be followed-up by Division of Trust Finance (DTF):</b>							

Open Audit Issues Report as of November 9, 2018

Audit Findings - Internal Audit

Audit	Report Date	Recommendations	Management Responses	Responsible Staff	Estimated Completion Date	Status
		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 2019	Closed due to BAS Cancellation
		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 2019	Closed due to BAS Cancellation
<b>Health Insurance Eligibility - Dependent Spouses &amp; Domestic Partners</b>	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	<p>Division of the Retirement Services has taken the following actions</p> <p>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</p> <p>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.</p>	Kathy Wienkes - ESS	October 2017	Closed (as of February 2016)
		ETF should improve communication, education, and increase awareness of compliance requirements	<p>The Employer Services Section (ESS) will ensure this topic is included in the 2017 IYC open enrollment period materials.</p> <p>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.</p>	Kathy Wienkes - ESS	November 2016	Closed

Open Audit Issues Report as of November 9, 2018

Audit Findings - Internal Audit

Audit	Report Date	Recommendations	Management Responses	Responsible Staff	Estimated Completion Date	Status
			<p>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.</p> <p>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.</p>	Lisa Ellinger - OSHP	November 2017	<p>Closed due to cancellation</p> <p>/Closed</p>
		ETF should enhance communication and provide clear instructions to employers to improve COBRA compliance	<p>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.</p>	Kathy Wienkes - ESS	October 2016	Closed
			<p>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.</p>		January 2016	Local Manual Closed
					November 2015	<p>State Manual Closed (Chapter 5, Section 505)</p>

**Open Audit Issues Report as of November 9, 2018**

**Audit Findings - Internal Audit**

Audit	Report Date	Recommendations	Management Responses	Responsible Staff	Estimated Completion Date	Status
<b>WRS Employer Reporting</b>	March 2016	<b>To be followed-up by DRS:</b>				
		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 2019	Closed due to cancellation
		<b>To be followed-up by DTF:</b>				
Charge interest when employers do not report earnings and contributions timely	Will be in place with BAS Rollout 2	Laura Vang	January 2019	Closed due to cancellation		
<b>Full File Compare Process</b>	May 2016	<b>To be followed-up by DRS:</b>				
		Improve management oversight; create detailed procedures and work manual; define and standardize communication protocols with health plans	Management agreed with the recommendations 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 2018	Closed
		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
<b>To be followed-up by Bureau of Information Technology Services (BITS):</b>						

**Open Audit Issues Report as of November 9, 2018**

**Audit Findings - Internal Audit**

<b>Audit</b>	<b>Report Date</b>	<b>Recommendations</b>	<b>Management Responses</b>	<b>Responsible Staff</b>	<b>Estimated Completion Date</b>	<b>Status</b>
		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
<b>OFAC</b>	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 as part of the BAS project.		TBD	Keep Open Status to incorporate in the future project
<b>Tax Reporting and Tax Payment-Withholding</b>	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
		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
<b>TASC</b>	August & September 2017	See the TASC tab of the work book (separate report)				
<b>Invoice Processing Audit</b>	November 2017	Make additional revisions to updated procedural documentation and ensure it remains current	Documentation updated to incorporate all audit recommendations and a quarterly review will be implemented.	Sheila Handrick and Bonnie Cyganek	February 2018	Closed
		Implement steps to ensure all invoices are accurately processed and all payments are adequately supported and approved by taking the steps outlined in the audit recommendation	Management agreed with the recommendation. See action plan in the report.	Bonnie Cyganek	September 2018	Closed
		Train staff for Prompt Payment Law details, update documentation regarding tracking late payments, and perform monitoring of timeliness of payments and any interest paid.	Management will develop a Prompt Payment training. In addition management has implemented ongoing monitoring of timeliness of payments and payment of interest, to be tracked via a newly developed metric.	Bonnie Cyganek	January 2018	Closed



**Open Audit Issues Report as of November 9, 2018**

**Audit Findings - Internal Audit**

<b>Audit</b>	<b>Report Date</b>	<b>Recommendations</b>	<b>Management Responses</b>	<b>Responsible Staff</b>	<b>Estimated Completion Date</b>	<b>Status</b>
<b>HIPAA</b>	March 2018	Develop a process to track what needs to be updated and ensure that updates are published in a timely manner	OPPC will ensure that updates to the HIPAA privacy policies are made as necessary and will follow through to ensure that the updates are properly and timely published	Steve Hurley Mary Alice McGreevy	08/31/2018. Introduction to HIPAA Revised. 8/29/2018	Closed.
		Formalize the written policy and procedure for notifying the media of potential large breaches to ensure a timely and orderly response that is in compliance with HIPAA	Agreed	Steve Hurley Mary Alice McGreevy	08/31/2018. HIPPA Policy #21 created. 8/31/2018	Closed.
<b>Cash Reconciliation Process Audit</b>	May 2018	DTF complete the monthly cash reconciliation each month, and in a timely manner.	DTF will update the written procedures to include a timeframe for completing and reviewing cash reconciliation. Management believes the risk of financial misstatement in ETF's annual CAFR is low if the reconciliation is not completed timely, therefore, management has decided to perform this reconciliation quarterly going forward.	Marilyn Lim	July 31, 2018	Closed
		DTF complete and update procedural documentation for daily and monthly cash reconciliation processes.	Recommendation was fully implemented when follow-up audit work was performed so no Management Response, Responsible Staff or Estimated Completion Date required.	n/a	n/a	Closed
		DTF research the \$2.9 million variance in cash between ETF and SWIB cash balances and resolve the variance.	Recommendation was fully implemented when follow-up audit work was performed so no Management Response, Responsible Staff or Estimated Completion Date required.	n/a	n/a	Closed
<b>Non-Retirement Program Payments Audit</b>	September 2018	DTF should work with program managers to ensure invoiced amounts are further substantiated including steps outlined in the audit recommendation.	DTF staff will work with OSHP staff to better define and document roles and responsibilities for reviewing and approving invoices related to Delta Dental and Navitus expenses. DTF will also discuss and assess the risk of inappropriate payments and implement additional controls based on that risk assessment.	Dave Ehlinger	December 31, 2018	Open

**Open Audit Issues Report as of November 9, 2018 - TASC**

Audit	Report Date	Recommendation	Recommendation Detail	Responsible	Estimated Completion Date	Status	Comment
Wipfli LLP	August 15, 2017	1. Segregation of duties	Segregate duties related to Premium Service Specialist and restrict system access to one function	TASC		closed	
		2. Secondary review of billing for claims and adjustments	1. Establish a secondary review process and sign-off by TASC employee other than employee that is performing the procedures.	TASC		closed	
			2. Refine the weekly invoice report structure in order to provide the proper level of detail necessary to validate the claims.	TASC	Sept.-2018 Nov. 2018	In progress	Moving from a PPM to PPPBPM structure. Estimated Completion Date has been moved from May 1, to August 1, 2018, to September 28. Adjusted to Nov 30, waiting for contract ammendment finalizing per participant per benefit amt to finalize this.
		3. Claims substantiation documentation	Ensure all substantiated claims have proper documentation as required by federal regulations	TASC	May 2018	Closed	
		4. Manual Adjustments	1. Create a periodic report that captures all manual adjustments for a given period.	TASC		Closed	
			2. Implement a process to two or more levels of review of the manual adjustment report.	TASC		Closed	
		5. Integrity of the EV1 (WEX) system data	1. Work with the eight Payroll Centers to standardize and cleanse the employee data with EV1 (WEX) to ensure that Social Security numbers are consistently being utilized for employee identification and other data fields are updated and current.	TASC & Payroll Centers	Nov 2018	In progress	Still working with some of the Payroll Centers to update their files to the standard format. Estimated Completion Date has been moved from March 31 to August 1, 2018, to November 1. Some Payroll Centers have to go through their Payroll Benefit Software Vendor to make updates. Due to amount of work, cost, and resources, some Payroll Centers are coordinating all Payroll Benefit system changes at the same time to accommodate these files and open enrollment needs. Near completion. Anticipated by Nov 30. Needing to address the Census and Eligibility file with STAR

**Open Audit Issues Report as of November 9, 2018 - TASC**

Audit	Report Date	Recommendation	Recommendation Detail	Responsible	Estimated Completion Date	Status	Comment
			2. Ensure employees' carryover amounts are properly accounted for and transferred from one plan year to the next, throughout the runout period, and into the next benefit year.	TASC & ETF	May 2018	Closed	
ETF Office of Internal Audit	September 7, 2017	1. Accuracy of contributions posted to participant accounts	1. Implement controls to ensure that FSA and HSA contribution amounts from Payroll Center files are uploaded and posted to accounts completely and accurately.	TASC	June 2018	Closed	
			2. Implement controls to ensure that manual adjustments are made accurately.	TASC	April 2018	Closed	
		2. Reconciliation between contributions withheld, reported, and paid	1. Implement a control to ensure deductions taken from participants' payroll, contribution data reported to TASC, and the Payroll Centers' payment made to ETF and TASC for contributions all agree.	Payroll Center		Open	Once all Payroll Centers have completed updating their files to the standard format, will begin work on this matter.
			2. 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		Open	Once all Payroll Centers have completed updating their files to the standard format, will begin work on this matter.
		3. Compliance with program contribution limits	1. Implement system controls to limit contributions by the annual program limits for FSAs.	TASC	November 2018	Closed	TASC will perform an audit each November to ensure that all FSA and HSA contributions have been posted correctly and no participant is exceeding annual program limits. Once audit is completed, if any participant is over the program limits, TASC will work with the payroll center to make correction before end of plan year via file. Audit will begin Nov. 1st. Communication to payroll centers will occur mid-November if corrections are needed.
			2. 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.	Payroll Center	March 2018	Closed	

**Open Audit Issues Report as of November 9, 2018 - TASC**

Audit	Report Date	Recommendation	Recommendation Detail	Responsible	Estimated Completion Date	Status	Comment
			3. Review total FSA contributions by participant when reviewing the annual Plan Finalization Report to ensure they are compliant with program rules.	ETF	July 2018	Closed	Plan Finalization Report Received May 31, 2018. Estimated completion date has been moved from May 30 to July 15, 2018.
		4. ETF's review of the annual plan finalization report	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 defines who is responsible for the review.	ETF	Dec 2018	In progress	Plan Finalization Report Received May 31, 2018. Estimated completion date has changed from undetermined to July 15, 2018. Plan Finalization Report review has been completed. ETF and TASC are in the process of investigating discrepancies with the Payroll Centers and will develop a action plan to address any discrepancies, if appropriate.
		5. Administrative billing for terminated participants	1. Develop procedures to ensure terminated HSA participants are directly billed for administrative fees and that ETF is not billed for those accounts.	TASC	March 2018	Closed	
	2. Review its procedures to bill ETF for administrative fees to ensure billing for terminated FSA accounts is appropriate based on program termination rules.		TASC	March 2018	Closed		
	3. Include employment status and termination date columns in the administrative billing detail provided to ETF.		TASC	completed	Closed		
	4. Work with Payroll Centers to ensure termination information is reported consistently.		TASC	November 2018	In progress	This matter is being addressed through standardizing the Payroll Center file formats. (See above Wipfli #5). Estimated Completion Date has been moved from March 31 to August 1, 2018, to November 1. Estimated Completion Date has been moved to November 30, 2018.	



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***Correspondence Memorandum***

**Date:** November 18, 2018  
**To:** Audit Committee  
**From:** Yikchau Sze, Director  
Office of Internal Audit (OIA)  
**Subject:** ETF Hotline

**This report is for Committee review and discussion. No action is required.**

Following the best practices for the prevention and detection of unethical actions, in April 2017, ETF created a hotline that allowed staff to report fraud, waste and abuse anonymously and confidentially by phone or a secure online portal. The hotline service was provided by Ethical Advocate, an independent third-party vendor that is specialized in providing such services.

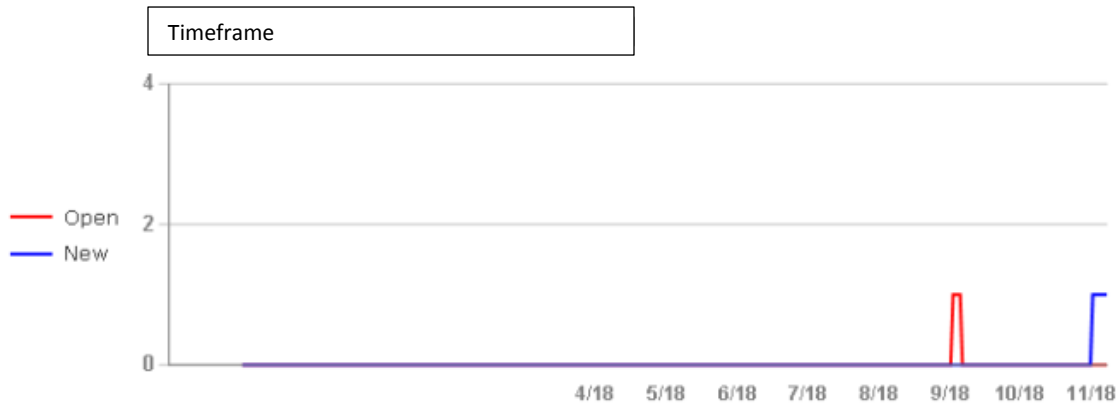
The hotline was initially established for the internal use as a proof of concept model. During this first year, no complaints or tips were received. In May 2018, ETF opened the hotline to WRS members and employers. As of November 18, two incidents were reported through the hotline. ETF conducted prompt investigation and deemed both cases were unsubstantiated. ETF provided responses through the online portal of the hotline where the progress and the decision of the investigation can be monitored and further commented on by the individual who reported the incidents.

Staff will be at the Audit Committee meeting to answer any questions.

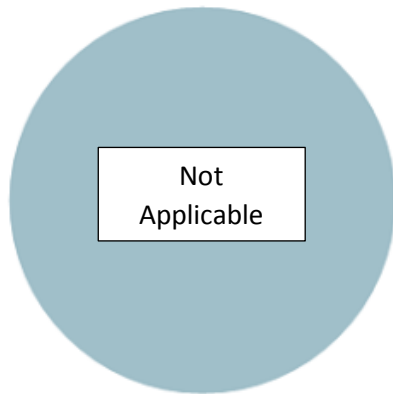
Attachment: Summary Status Report of ETF hotline from Ethical Advocate

### State of Wisconsin Department of Employee Trust Funds

#### Report Status

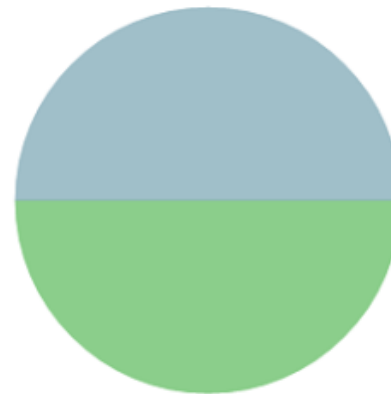


#### Summary - All Reports



#### Reports By Division

Timeframe:



#### Reports By Category

