



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

Wisconsin Department  
of Employee Trust Funds  
PO Box 7931  
Madison WI 53707-7931  
1-877-533-5020 (toll free)  
Fax 608-267-4549  
etf.wi.gov

## Correspondence Memorandum

**Date:** August 1, 2019  
**To:** Group Insurance Board  
**From:** Eileen Mallow, Director  
Office of Strategic Health Policy  
**Subject:** LAB Audit Update

**This memorandum is for informational purposes only. No Board action is required.**

ETF staff continue to work towards responding to each of the findings in the LAB report on the operation of the Group Health Insurance Program.

The most current report of our progress towards addressing the findings is attached. Progress on the 33 findings in the report is as follows:

- 12 – Completed
- 21 – In Progress
- 0 – Not started

For the August 21 meeting, a number of presentations to the Board have been prepared to be responsive to the audit findings. These presentations will give the Board the opportunity to discuss these issues. For example, the actuary's discussion on health insurance program reserves addresses investment income in the reserve estimate and provides the Board with an explanation of reasons why the results are different than projected. Staff have provided written analyses of reports from external consultants, including both the health insurance and life insurance actuaries. Finally, the Board has been receiving regular written reports from staff with contracting updates and performance by vendors against contractually established performance expectations.

A final report to the Joint Legislative Audit committee is due by November 22. The draft final report will be shared with the Board for comment at the November 13 GIB meeting.

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

Attachment: Progress Report on LAB Audit Findings

Reviewed and approved by John Voelker, Deputy Secretary

Electronically Signed 8/6/19

Board	Mtg Date	Item #
GIB	8.21.19	3

# ETF Report to Joint Legislative Audit Committee Management Plan

Date: 8/2/2019

Audit Finding		Page #	Due Date	Status
<b>1. 0.</b>	<b>Staff Time Tracking</b>			<b>Completed</b>
1. 1.	ETF require its staff who work on individual group insurance programs to track on an ongoing basis the amount of time they used to complete work for each group insurance program	19	10/15/19	<b>Completed</b>
<b>2. 0.</b>	<b>Group Health Insurance Program (GHIP)</b>			<b>In Progress</b>
	<b>Administration</b>			
2. 1.	ETF consistently prepare and provide the Group Insurance Board (GIB) with the results of its written analyses of recommendations from consultants for the GHIP	29	8/21/19	<b>Completed</b>
2. 2.	ETF work with the GIB to establish intended outcomes for changes to the GHIP	31	8/21/19	<b>Completed</b>
2. 3.	ETF annually assess progress toward achieving these intended outcomes and provide the results of these assessments to the GIB	31	5/20/19	<b>Completed</b>

# ETF Report to Joint Legislative Audit Committee Management Plan

Date: 8/2/2019

	Audit Finding	Page #	Due Date	Status
2. 4.	ETF work with the GIB to ensure contracts sufficiently specify how to calculate performance measures	34	8/21/19	Completed
2. 5.	ETF consistently determine whether firms achieved contractually specified performance measure goals and assess contractually specified financial penalties when firms do not achieve these goals	34	11/20/19	In Progress
2. 6.	Report to the GIB on the financial penalties it assesses	34	11/20/19	In Progress
	<b>Reserves</b>			
2. 7.	ETF require the program actuary to take investment income into account when it recommends the amount of GHIP reserves to spend	42	8/21/19	Completed
2. 8.	ETF require the program actuary to annually explain why the change in GHIP reserves differed from the amount the GIB had voted to spend	42	8/21/19	In Progress

# ETF Report to Joint Legislative Audit Committee Management Plan

Date: 8/2/2019

	Audit Finding	Page #	Due Date	Status
2. 9.	ETF require the program actuary to provide the GIB with calendar-year information on GHIP reserves	42	N/A	Completed
2. 10.	ETF work with the GIB to establish a policy requiring periodic reviews of the target ranges for GHIP reserves and provide the results of these reviews to the GIB	43	8/21/19	In Progress
2. 11.	ETF consistently prepare and provide the GIB with the results of its written analyses of key information about program reserves that was provided to the actuary for the GHIP	45	N/A	Completed
2. 12.	ETF indicate in writing to the GIB if the program actuary makes a recommendation that is inconsistent with a prior GIB decision	46	8/21/19	In Progress
<b>3. 0.</b>	<b>Income Continuation Insurance (ICI)</b>			<b>In Progress</b>
	<b>Administration</b>			
3. 1.	ETF consistently provide the GIB with audit reports of the performance of the ICI program administrator and memoranda that accurately summarize these audit reports	66	N/A	Completed
	<b>Reserves</b>			

# ETF Report to Joint Legislative Audit Committee Management Plan

Date: 8/2/2019

	Audit Finding	Page #	Due Date	Status
3. 2.	ETF work with the GIB to establish target ranges for program reserves for the state and local components of the ICI program as well as a strategy and a timeline for achieving them	71	11/20/19	In Progress
3. 3.	ETF work with the GIB to establish a policy requiring periodic reviews of the target ranges for ICI program reserves and provide the results of these reviews to the GIB	71	11/20/19	In Progress
4. 0.	<b>Group Life Insurance Program (GLIP)</b>			<b>In Progress</b>
	<b>Administration</b>			
4. 1.	ETF provide sufficiently detailed information in its memoranda to the GIB regarding the annual financial reports from the program administrator of the GLIP	78	8/21/19	<b>Completed</b>
	<b>Reserves</b>			

# ETF Report to Joint Legislative Audit Committee Management Plan

Date: 8/2/2019

	Audit Finding	Page #	Due Date	Status
4. 2.	ETF work with the GIB to establish target ranges for program reserves for the state and the local components of the GLIP, as well as a strategy and a timeline for achieving them	81	8/21/19	Completed
4. 3.	ETF work with the GIB to establish a policy requiring periodic reviews of the target ranges for GLIP reserves and provide the results of these reviews to the GIB	81	8/21/19	In Progress
4. 4.	ETF assess whether the [Group Life Insurance] program administrator or the State of Wisconsin Investment Board (SWIB) should invest program reserves and provide the results of this assessment to the GIB	81	11/20/19	In Progress
5. 0.	<b>IT Security</b>			<b>In Progress</b>
5. 1.	ETF work with the GIB to establish sufficient policies pertaining to audits of information technology controls	84	9/3/19	In Progress

# ETF Report to Joint Legislative Audit Committee Management Plan

Date: 8/2/2019

	Audit Finding	Page #	Due Date	Status
5. 2.	ETF collect all contractually required audits of information technology controls, review all submitted audits, and provide GIB with the results of the reviews	85	10/1/19	In Progress

# ETF Report to Joint Legislative Audit Committee Management Plan

Date: 8/2/2019

	Audit Finding	Page #	Due Date	Status
5. 3.	ETF ensure that the security awareness training it provides its staff adequately addresses the appropriate ways to securely communicate confidential information	86	12/31/19	In Progress
<b>6. 0.</b>	<b>GIB Oversight</b>			<b>In Progress</b>
6. 1.	ETF consistently provide the GIB with programmatic information at least one week before meetings	90	N/A	<b>Completed</b>
6. 2.	ETF post on its website at least one day before a given meeting all nonconfidential information that the GIB will consider at that meeting	90	N/A	<b>Completed</b>
6. 3.	ETF compile additional information about the performance of program administrators, program actuaries, and auditors and provide this information to the GIB and the ETF Board	92	11/20/19	In Progress
6. 4.	ETF work with the GIB and the ETF Board to determine the maximum durations of contracts with program administrators, program actuaries and auditors	92	N/A	<b>Completed</b>



# ETF Report to Joint Legislative Audit Committee Management Plan

Date: 8/2/2019

	Audit Finding	Page #	Due Date	Status
6. 5.	ETF seek approval and direction from the GIB or the ETF Board before executing contract amendments for actuarial services	92	5/15/19	Completed
6. 6.	ETF establish a written plan to periodically contract for actuarial audits to assess the appropriateness of information provide by program actuaries and provide the GIB with the actuarial audit results	93	12/31/19	In Progress
6. 7.	ETF assess options to improve oversight of group insurance programs and provide the results of its assessment to the GIB	95	N/A	Completed
7. 0.	<b>Legislative Considerations</b>			In Progress
7. 1.	<b>Recommended Statutes Change:</b> Require ETF to provide to the Legislature by June 30 of each year information about program reserves for the state and the local components, including the amounts of program reserves as of December 31 of the prior two years and the reasons why program reserves had changed over that period of time	47	On-going	In Progress
7. 2.	<b>Recommended Statutes Change:</b> Specify that the Administrator of DOA's Division of Personnel Management, or his or her designee, is a GIB member	95	On-going	In Progress

# ETF Report to Joint Legislative Audit Committee Management Plan

Date: 8/2/2019

	Audit Finding	Page #	Due Date	Status
7. 3.	<b>Recommended Statutes Change:</b> Require the four insured employee/participants GIB members participate in at least one of the group insurance programs overseen by GIB	95	On-going	In Progress
<b>8. 0.</b>	<b>JLAC Report Management Plan</b>			<b>In Progress</b>
8. 1.	Draft Task Management Plan and Plan Overview		3/22/19	<b>Completed</b>
8. 2.	Schedule and host Kick-off Meeting		3/26/19	<b>Completed</b>
8. 3.	Finding Owners approve Task Management Plan		4/19/19	<b>Completed</b>
8. 4.	JLAC Report Planning and Check-in		4/25/19	<b>Completed</b>
8. 5.	Finalize Task Management Plan		4/26/19	<b>Completed</b>
8. 6.	OSHP Update to GIB		5/15/19	<b>Completed</b>
8. 7.	Progress Check-in Meeting		6/6/19	<b>Completed</b>
8. 8.	OSHP Update to Retirement Board		6/20/19	<b>Completed</b>
8. 9.	Exploratory meeting with Board Liaisons		6/24/19	<b>Completed</b>
8. 10.	Master annual base GIB Agenda updated		7/2/19	<b>Completed</b>
8. 11.	Develop GIB standing meeting agenda items schedule		7/9/19	<b>Completed</b>
8. 12.	Progress Check-in Meeting		8/1/19	<b>Completed</b>
8. 13.	OSHP Update to GIB		8/21/19	In Progress
8. 14.	OIA update to GIB		8/21/19	In Progress
8. 15.	Distribute Management plan to Team for review		9/9/19	Not Started
8. 16.	Audit Finding owners update Deliverables/Update		9/20/19	Not Started
8. 17.	Initiate writing of JLAC Report		9/27/19	Not Started
8. 18.	Finding Owners review draft JLAC Report		10/4/19	Not Started
8. 19.	Tarna review of draft JLAC Report		10/11/19	Not Started
8. 20.	Tara/John F. review of draft JLAC Report		10/16/19	Not Started
8. 21.	Board Memo due for routing and review		10/18/19	Not Started
8. 22.	Update JLAC Report for any final edits		10/23/19	Not Started
8. 23.	SO review and approve JLAC Report		10/29/19	Not Started
8. 24.	GIB presentation dry run practice with peers		10/30/19	Not Started
8. 25.	ETF Executives presentation of report before GIB		11/4/19	Not Started

# ETF Report to Joint Legislative Audit Committee Management Plan

Date: 8/2/2019

	Audit Finding	Page #	Due Date	Status
8. 26.	GIB presentations due		11/5/19	Not Started
8. 27.	JLAC Report presented to GIB		11/13/19	Not Started
8. 28.	OIA update to GIB		11/13/19	Not Started
8. 29.	GIB input/adjustments to JLAC Report (update report)		11/18/19	Not Started
8. 30.	JLAC Report due		11/22/19	Not Started