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**Correspondence Memorandum**

**Date:** October 4, 2019  
**To:** Group Insurance Board  
**From:** Xiong Vang, HSA & ERA Accounts Program Manager  
 Office of Strategic Health Policy  
**Subject:** Total Administrative Services Corporation Audit Results


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

**Background**

In January 2017, the Department of Employee Trust Funds (ETF) contracted with Wipfli to conduct compliance testing procedures for the Flex Spending Accounts (FSA) and Health Savings Accounts (HSA) administered by Total Administrative Services Corporation (TASC) in the 2015 through 2016 plan years. 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. The review was designed to evaluate the effectiveness of certain controls and review other specific program areas determined by ETF. The work was co-sourced between Wipfli and ETF's Office of Internal Audit (OIA), in order to expand the audit scope while maintaining reasonable audit costs ([Ref. GIB | 11.15.17 | 4B](#)). The audits identified a number of issues that ETF and TASC staff, working with partners in state payroll centers, have worked to address. To close the loop on this audit, progress toward resolving the audit findings is summarized in this memo.

**Audit Recommendations and Results**

Since the release of the audit report findings and recommendations submitted by Wipfli and OIA, TASC worked to complete the recommended deliverables. Wipfli recommended control improvements in five areas, and OIA suggested control improvements in five other areas, along with two process improvement observations. Each recommendation is followed by a recommendation detail shown in Attachment A.

Reviewed and approved by Eileen K Mallow, Director, Office of Strategic Health Policy  
 Electronically Signed 11/1/19

Board	Mtg Date	Item #
GIB	11.13.19	10B

### **Exceptions and Conclusion**

TASC followed up to ensure the controls have been applied and met most deliverables. ETF confirms audit results have been achieved with three exceptions to the recommendation details reflected in the Status column in Attachment A as listed:

- Wipfli Recommendation # 5, Recommendation Detail # 1
- OIA Observations # 1, Recommendation Detail # 1
- OIA Observations # 1, Recommendation Detail # 4

Two of the eight payroll centers were not able to reconfigure their file interface to the standard file format requested from TASC. With the implementation of a vendor change, payroll centers decided not to add further development and efforts to the file specification. Most file interfaces have been integrated into the production environment with TASC. Moving forward, in 2020 plan year, all nine payroll centers will be submitting standard file format to ConnectYourCare to meet this audit control.

ETF concludes that, overall, the programs are being administered in accordance with the plan designs and consider this an acceptable progress towards resolving audit findings with diligent efforts from TASC, Payroll Centers and ETF.

Results of the audit currently underway will be presented at the February Board meeting.

Staff will be at the Board meeting to answer questions.

**FOLLOW-UP REPORT ON AUDIT RECOMMENDATIONS  
OF THIRD PARTY ADMINISTRATOR  
TOTAL ADMINISTRATIVE SERVICES CORPORATION (TASC)**

Audit	Report Date	Recommendation	Recommendation Detail	Responsible	Estimated Completion Date	Status
Wipfli Recommendations	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 March 1, 2019	closed
		3. Claims substantiation documentation	Ensure all substantiated claims have proper documentation as required by federal regulations	TASC	May 1, 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	November 1, 2018 April 1, 2019 August 1, 2019 December 31, 2019	resolved with ConnectYour Care
			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 1, 2018	closed

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Audit	Report Date	Recommendation	Recommendation Detail	Responsible	Estimated Completion Date	Status
ETF Office of Internal Audit Recommendations	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	<del>April 1, 2019</del> August 1, 2019	closed
			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	April 1, 2019	closed
		3. Compliance with program contribution limits	1. Implement system controls to limit contributions by the annual program limits for FSAs.	TASC	November 2018	closed
			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
			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
		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	<del>December 1, 2018</del> April 1, 2019	closed
		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		closed
			4. Work with payroll centers to ensure termination information is reported consistently.	TASC	November 1, 2018	closed

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Audit	Report Date	Recommendation	Recommendation Detail	Responsible	Estimated Completion Date	Status
ETF Office of Internal Audit Observations	September 7, 2017	1. Consistency of Data from Payroll Centers	1. Use same file specifications and include same data elements to ensure consistency of the format by which contribution data is reported.	Payroll Center	<del>November 1, 2018</del> December 31, 2019	resolved with ConnectYour Care
			2. Provide actual contribution data to TASC each payroll cycle, including Beyond Vision, which does not currently report contributions each pay period.	Payroll Center	March 31, 2018	closed
			3. Deduct contributions from the same number of pay periods for all FSA and HSA programs.	Payroll Center		closed
			4. Provide full eligibility files to TASC each pay period.	Payroll Center	<del>November 1, 2018</del> December 31, 2019	resolved with ConnectYour Care
		2. Process to transfer participants between Payroll Centers	1. Transfer form be clarified to include the last payroll deduction date, contributions to date, and the contributions expected through the last payroll date.	TASC	December 28, 2018	closed
			2. Payroll Centers complete the forms, when necessary, and provide them to TASC and the new payroll center in a timely matter	Payroll Center	December 28, 2018	closed
			3. 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	December 28, 2018	closed