

Agreed Upon Procedures Audit for the State and Local Income Continuation Insurance Program Contract Compliance

Item 10A – Group Insurance Board

Jim Guidry, Bureau Director
Benefit Services Bureau
Division of Retirement Services



Informational Item Only

No Board action is required

Agreed Upon Procedures (AUP) Review

- In 2020, ETF contracted with Wipfli, LLP to perform Income Continuation Insurance (ICI) AUP review of ICI administrator, The Hartford
- Triennial review of third-party administrator's compliance with program procedures
- ETF and Wipfli agree upon which procedures to review and develop a statement of work
- Not a complete compliance audit. Focused on specific areas

Income Continuation Insurance

- Voluntary, self-insured, income replacement program available to all WRS enrolled state employees and employees of all local government entities that elect to participate in the program
- Authorized by Wis. Stat. § 40.62
- Funded solely by employer/employee premiums and investment returns
- Program rules established in ICI Plan Language-part of ICI contract

AUP Audit Scope

- The Statement of Work for the AUP engagement included:
 - Period of review: Calendar years 2018, 2019, and 2020
 - Reviewing claims intake processes
 - Required reports testing
 - Enrollment application processing
 - Paid claims testing
 - Denied claims testing
 - Calculation of overpayments
- Sample sizes were agreed to by Wipfli and ETF
 - 80% of claim samples from State ICI plan, 20% from Local ICI plan

AUP Review Results

- Review of approved and denied claims found three claim cancellation letters, one approval letter, and one denial letter were not sent to claimants. Additionally, four letters examined were not scanned into myETF (Sample sizes: Approved claims – 60/year, Denied claims – 10/year)
- Enrollment testing revealed one missing letter. It was indeterminable if the letter was properly sent to the claimant (Sample size: 20/year)
- Overpayment testing revealed no exceptions (Sample size: 10/year)

AUP Review Results: Reports

- Wipfli examined a sample of reports filed by the Hartford:
 - Monthly funding reports
 - Monthly deduction reports
 - Quarterly claims financial statistics reports
- No exceptions were found in the monthly reports
- Claims financial statistics reports were compared to The Hartford's Annual report
 - Variances were found for 2019 and 2020

Recommendations

- Additional training and oversight on claim processing
- Update their processes to ensure that all documents are being imaged into ETF's systems
- The claims financial report should be reconciled with the Annual report to ensure accuracy in the reporting of financial statistics

The Hartford's Response

- The Hartford indicated that unscanned and undelivered documents were the result of new analysts lacking experience with the claims process
 - The Hartford agreed to increase the training period for new analysts, enhance mentoring of new staff, and increase monthly audits of processed claims
- The Hartford will increase monthly reviews to verify that documents are being imaged into ETF systems
 - Additionally, once The Hartford can upload documents into OnBase directly the number of unimaged documents is expected to decrease

The Hartford's Response (Cont.)

- The Hartford indicated that variances identified in the claims financial statistics report were due to post-period adjustments occurring after the generation of the quarterly reports
 - At ETF's request, The Hartford reconciled the claims financial statistics reports to their annual reports for 2019 and 2020. The variances were no longer present
 - Going forward, The Hartford will generate its 4th quarter claims financial statistics report at the same time as they prepare their annual report so that the financial statistics provided to ETF are accurate and include post-period adjustments

Internal Controls

- Wipfli reviewed The Hartford's SOC 1 reports as related to internal controls associated with call center claim intake training. No exceptions were identified
- Potential risks
 - Wipfli identified that there was no training tracker for call center staff
 - Wipfli identified that call center quality reviews did not guarantee a sample of ICI claims
- ETF also reviews The Hartford's SOC1 and SOC2 reports annually

Conclusion

- ETF agrees with Wipfli's recommendations
 - The Hartford has implemented enhanced training and mentoring of new staff
 - The Hartford has changed the timing of annual financial reporting to ETF to include adjusted data
 - ETF will continue to evaluate required reporting by The Hartford
 - New contract with The Hartford includes enhanced performance standards

The background is a dark blue gradient with numerous out-of-focus light spots in shades of blue and purple, creating a bokeh effect.

Questions?