



STATE OF MICHIGAN
OFFICE OF THE STATE EMPLOYER
LANSING

RICK SNYDER
GOVERNOR

MARIE L. WAALKES
DIRECTOR

March 8, 2016

Jeffery Bankowski
Office of Internal Audit Services
Office of the State Budget
George W. Romney Building
111 South Capitol, 6th Floor
Lansing, Michigan 48913

Dear Mr. Bankowski:

In accordance with the State of Michigan, Financial Management Guide, Part VII, attached is a summary table identifying our responses with corrective action plans to address recommendations contained within the Office of the Auditor General's audit report of the Workers' Compensation and Long Term Disability Programs for State of Michigan Employees, Office of the State Employer.

Questions regarding the summary table or corrective action plans should be directed to Marie L. Waalkes, Director, Office of the State Employer, 517-373-7400.

Please let me know if there is any additional information that the Office of the State Employer can provide in this matter.

Sincerely,

Signature Redacted

Marie L. Waalkes
Director

cc: Executive Office
Office of the Auditor General
House Fiscal Agency
Senate Fiscal Agency
John Juarez, DTMB
OSE Internal Distribution

Office of the State Employer
Worker' Compensation and Long Term Disability Programs for the State of Michigan
Report Number: 071-0141-14
Audit Period October 1, 2011 – September 20, 2014

Summary of Agency Responses to Recommendations

1. Audit recommendations OSE agrees with and will comply: #1
2. Audit recommendations OSE fully complied with: #2
3. Audit recommendations OSE disagrees with: None

Agency Responses to Recommendations

Audit Finding Recommendation #1:

We recommend that OSE obtain a SOC 2 report of its TPA to help ensure that the TPA processes claims in accordance with program rules and terms of its contracts.

Response:

The Office of the State Employer (OSE) agrees with this recommendation and is researching the options for obtaining the SOC 2 report.

OSE is researching the process and timing to have a SOC 2 report completed of the TPA to ensure that the TPA processes both Workers' Compensation and LTD claims in accordance with each program's rules and in compliance with the terms of the respective contracts. OSE will complete the research by June 1, 2016.

Both of the contracts with the current TPA are due to expire at the end of the current fiscal year, September 30, 2016. Requests For Proposals (RFP's) are currently being processed through the Department of Technology, Management and Budget, and we anticipate they will be posted by June 30, 2016. There will be a requirement in the new contracts that the TPA's conduct a comprehensive independent third-party audit of its data privacy and information security program and provide such audit findings to the state, no less than annually. The contractor must implement any required safeguards as identified by the State or by any audit of the TPA's data privacy and information security program. Provided the RFP's are posted by the date above and new contracts are in place by October 1, 2016, the OSE will fully comply with the recommendation no later than September 30, 2017.

Audit Finding Recommendation # 2:

We recommend that OSE obtain wage data from UIA to determine if employees receiving loss of wage benefits had unreported income from other Michigan employers or collected unemployment benefits.

Response:

OSE agrees with and has complied with the recommendation. OSE has developed and entered into a Memorandum of Understanding (MOU) between the Michigan Talent Investment Agency, Unemployment Insurance Agency and the Office of the State Employer to enter into a data sharing agreement with the Unemployment Insurance Agency (UIA). OSE anticipates that the information obtained from UIA will assist in identifying individuals who may have other income that would be considered an offset to their wage replacement benefits while receiving Workers' Compensation or Long Term Disability.