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HEALTH BENEFITS PERFORMANCE AUDIT

APRIL 2015

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AUDIT SERVICES DEPARTMENT

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To: Audit Services Oversight Committee
From: Dr. Germaine Brewington, Director
Audit Services Department
Date: **April 27, 2015**
Re: Health Benefits Performance Audit (April 2015)

The Department of Audit Services completed the report on the Health Benefits Performance Audit dated April 2015. The purpose of the audit was to determine if adequate administrative controls existed over healthcare benefits provided to City employees including retirees.

This report presents the observations, results, and recommendations of the Health Benefits Performance Audit dated April 2015. City management concur with the recommendations made. Management's response to the recommendations is included with the attached report.

The Department of Audit Services appreciates the contribution of time and other resources from employees of The Departments of Human Resources, Technology Solutions and Finance in the completion of this audit.

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BACKGROUND INFORMATION

The Department of Human Resources (HR) is responsible for administering health benefits to City employees and retirees. Policy HRM 508-1, "Retirement", defines health benefits for service retirement and disability retirement. According to policy HRM 508-1:

Early or service retirement for employees hired prior to July 1, 2008

Health insurance coverage will be provided at employee rates and levels for retiring employees with at least 20 years of service at the City of Durham up to age 65. Retirees with less than 20 years of service will be provided health insurance coverage for rates as follows:

Years of Service	Costs of Benefits to the Retiree
≥20	Retiree pays the employee portion of the cost
≥15 but <20	Retiree pays the employee portion of the cost plus 25% of the City's cost
≥10 but <15	Retiree pays the employee portion of the cost plus 50% of the City's cost
<10	Retiree is eligible for health benefits under COBRA

Retirees with at least 10 years of City of Durham service, who remain active in the City of Durham health plan until age 65 may be eligible for a Medicare Supplement. Retirees who meet the eligibility criteria receive a partial reimbursement payment for a Medicare Supplement plan which is determined by the age of the retiree. Proof of enrollment in a Medicare Supplement plan is required. The benefit is subject to funding approval. Annual proof of eligibility is required for reimbursement.

Disability retirement for those hired before July 1, 2008:

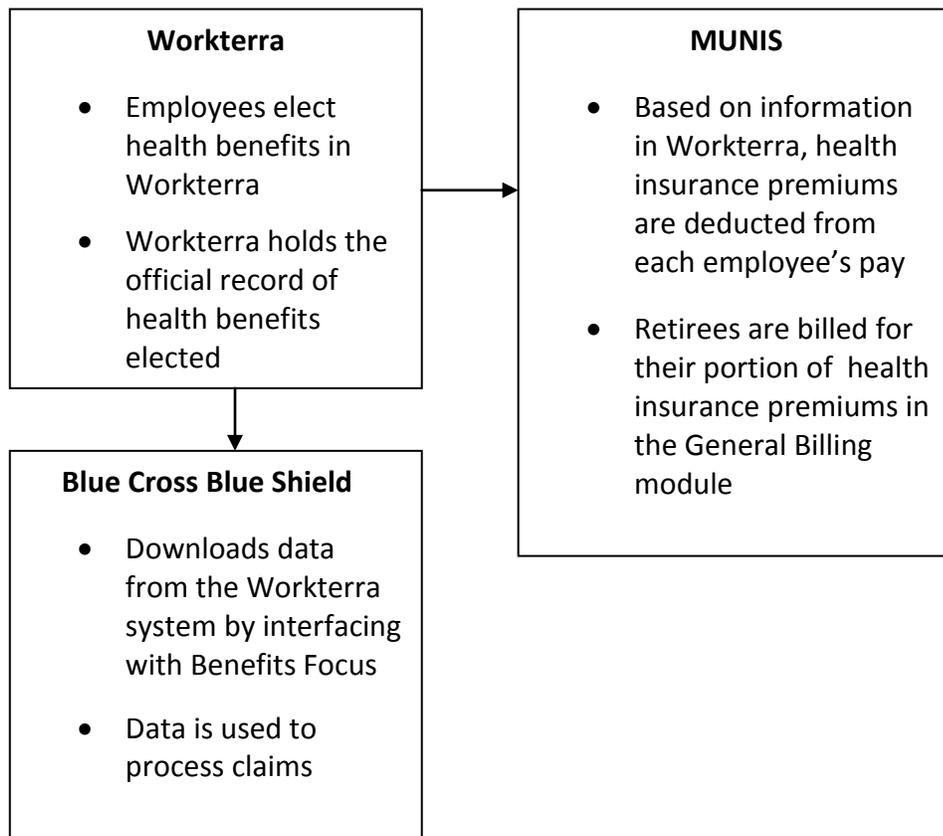
For those approved by the State for a disability retirement, the City of Durham will pay the premiums for life insurance and the employer portion of single health insurance for one year after the approved retirement date (two-party or family coverage would be available at the regular retiree rates). After the first year, health insurance coverage will be provided for the current levels at the employee rates up to age 65 subject to timely premium payment and continuation of the program. Retirees with less than 5 years with the City of Durham will be eligible for COBRA after the first year of Disability Retirement. Retirees with at least

BACKGROUND INFORMATION

5 years but less than 20 years of service with the City of Durham may elect pro-rated health insurance rates. The policy however, does not mention the rate scale for years of service between 5-10 years.

Health benefits for all employees including service retirees and disability retirees are processed by the Human Resources Department staff using the Workterra system. The Workterra system is used to manage the benefits administration process. In addition, the MUNIS system is used to ensure employees pay the premiums for their elected Health Insurance Benefits. The MUNIS General Billing module is used to bill retirees that continue to obtain Health benefits through the City. The Workterra System and the MUNIS system do not interface with each other. Data from one system does not automatically feed into the other. The following diagram documents the workflow between both systems.

The following diagram shows the flow of data contained in each system and what the data is used for.



BACKGROUND INFORMATION

Exhibit 1 at the end of the report provides a detailed flow chart of the benefits administration process.

The following procedures should be followed by the HR Staff when an employee retires from the City and chooses to receive the health insurance provided by the City.

- During the retirement exit conference, benefits should be explained and rates should be discussed;
- An employee's status should be changed in the Workterra system from active to retired;
- If eligible retirees choose to continue receiving health benefits through the City, Human Resources staff should establish a customer account in the MUNIS system to bill the retiree for their share of the monthly health insurance premiums;
- Human Resources staff should calculate the correct amount to bill the retiree, based on years of service as established by Policy HRM 508-1 "Retirement";
- If a change occurs as a result of a qualifying event after the effective retirement date, Human Resources staff need to update the amount billed to the retiree in the MUNIS system; and
- At the age of 65, retirees should no longer receive health insurance benefits through the City. They are eligible to receive the Medicare Supplement.

EXECUTIVE SUMMARY

Purpose

The purpose of the audit engagement was to determine if adequate administrative controls existed over healthcare benefits provided to City employees including retirees.

We conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient and appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

Audit Results

Health benefits for all employees including service retirees and disability retirees are processed by the Human Resources Department staff using the Workterra system. The Workterra system is used to manage the benefits administration process. In addition, the MUNIS system is used to ensure employees pay the premiums for their elected health insurance benefits. The MUNIS General Billing module is used to bill retirees that continue to obtain health benefits through the City. The Workterra System and the MUNIS system do not interface with each other. Data from one system does not feed into the other automatically. In the absence of the systems interfacing with each other, controls should be in place to reconcile the systems. In addition, although, written SOPs existed, they did not reflect the current procedures used to process healthcare benefits in the MUNIS system and the Workterra system for retirees, active employees, and terminated employees.

Five recommendations have been suggested to enhance controls around the health benefits administration process.

OBJECTIVES, SCOPE AND METHODOLOGY

Objectives

The objectives of the audit were to determine if:

- Adequate controls existed over healthcare benefits offered to retired City employees including the Medicare supplement benefit, healthcare insurance coverage and disability retirement benefits; and
- Adequate administrative controls existed over processing of healthcare benefits provided to City employees.

Scope

The scope of the audit included examining the City's current policies, procedures and controls over the administration of healthcare benefits offered to all active and retired City employees. The scope of the audit did not include examining dental or other benefits available to City employees.

Methodology

Audit Services Department staff performed the following procedures to accomplish the objectives of the audit:

- 1 Interviewed Department of Human Resources staff;
- 2 Reviewed policies and procedures pertaining to healthcare benefits;
- 3 Obtained a list of all retired employees that receive Medicare Supplement payments from the City;
- 4 Selected a sample of employees that receive the Medicare Supplement and verified that:
 - a) Eligibility requirements were met;
 - b) Annual re-verification was performed as required by policy; and
 - c) Reimbursement amounts paid to the retirees were consistent with policy.

OBJECTIVES, SCOPE AND METHODOLOGY

- 5 Obtained a list of all retired employees that were receiving health insurance benefits per the information in the Workterra system;
- 6 Obtained a list of all retirees that the City billed for health insurance premiums for a 4 year period from the MUNIS system;
- 7 Analyzed the data in step 6;
- 8 Selected a sample of retirees that received health insurance benefits through the City and verified the following:
 - a) Eligibility; and
 - b) The amount billed was calculated correctly in accordance with the established plan rates;
- 9 Verified that employees had the same information pertaining to healthcare insurance in the Workterra system and in the MUNIS system;
- 10 Selected a sample of qualifying events and verified if changes/additions were processed with adequate supporting documentation;
- 11 Verified that calculations pertaining to any changes in step 10 were made correctly;
- 12 Obtained a list from Blue Cross Blue Shield of all current employees that had healthcare benefits; and
- 13 Compared the Blue Cross Blue Shield list to the list of employees in the Workterra system.

During the audit, staff also maintained awareness to the potential existence of fraud.

Written standard operating procedures (SOPs) were outdated and did not reflect current practices.

The development and use of SOPs are an integral part of a successful quality control system. Standard operating procedures provide employees with information to perform a job properly, and facilitate consistency in the quality and integrity of the end-result. Although written SOPs existed, they did not reflect the current procedures used to process healthcare benefits in the MUNIS system and the Workterra system for retirees, active employees, and terminated employees. Outdated SOPs can lead to errors.

Department of Human Resources staff did not reconcile the information contained in the Workterra system to the information contained in the MUNIS system.

An opportunity exists to strengthen the administration and monitoring activities to ensure health benefits to retirees, active employees, and terminated employees are processed accurately. Processing employees inaccurately in either system can expose the City to risk of financial loss. Since the two systems did not interface with each other, there was potential risk that the information pertaining to benefits was not consistent. This could expose the City to some of the following risks:

- Employees paying an incorrect premium;
- Terminated employees continuing to receive health insurance benefits; and
- Retired employees continuing to receive health insurance benefits without reimbursing the City for their share of the premium.

In the absence of the two systems interfacing, controls should be in place to reconcile the systems. A comparison of the systems during the audit identified the following potential issues.

Comparison of data in the Workterra system and the MUNIS system pertaining to health benefits highlighted discrepancies that could impact the cost of health insurance benefits paid by the City.

A list was obtained from the Workterra system, of all active employees enrolled in the City provided health insurance program. In addition, Audit Services Department staff obtained a list of all active employees who were paying health insurance premiums according to the MUNIS system. A comparison of the health insurance plan participants based on the employee ID number was performed. Audit Services staff examined and investigated the discrepancies to determine the reason for the discrepancies.

Effective controls

Information pertaining to the health insurance plans for active employees was consistent in both systems with a few exceptions.

The comparison of participants in the two systems identified eight exceptions where the level of health plan (employee, employee/spouse, employee/children or family) was not consistent in both systems. The comparison also identified three exceptions where the type of plan (basic or core) was not consistent in the two systems. Annually, after the completion of the open enrollment process, an upload of data is performed from the Workterra system into the MUNIS system. This annual upload ensures that data is consistent in both systems after open enrollment. Changes can occur during the year, and these changes if not manually updated in MUNIS can cause employees to pay incorrect health insurance premiums. The comparison performed by Audit Services staff did not show significant or material discrepancies. It is important to ensure the data in the MUNIS system reflects data in the Workterra system. The data in the MUNIS system enables the City to accurately charge employees for their share of the health insurance cost.

Control deficiencies

Health insurance coverage was not ended in the Workterra system for some employees (excluding retirees) who were terminated from City employment.

The comparison between the Workterra and MUNIS systems identified 85 employees with a termination status (left City employment) per the MUNIS system.

- Health insurance for 31 of the 85 employees that left City employment after Dec. 31, 2014 was not terminated in the Workterra system on a timely basis. All of these terminations were processed in the second half of the month of March 2015.
- Health insurance for 54 of the 85 employees that left City employment prior to December 31, 2014 were still enrolled in the health insurance plan per the Workterra system during the field work for the audit. Of the 54 terminations, 34 had an effective termination date of 2014, 10 had an effective termination date of 2013 and 10 had an effective termination date of 2012.

Untimely termination of health insurance benefits for terminated employees could translate into potential financial loss to the City if claims were processed for those individuals. In addition, the City would continue to bear the cost of the premiums for the affected employees.

The Department of Human Resources (HR) staff received a Termination Report from the Technology Solutions Department staff after each pay cycle. Information from the report notified HR staff of the terminations that should have been processed in the Workterra system. The tool to process terminations existed, however the practice of utilizing the report to perform this step was not working as intended. In addition, SOPs did exist; however, they did not reflect current procedures used to process healthcare benefits in the Workterra and MUNIS systems. Given staff turnover, updated SOPs would communicate the expectation that this step in the process is a requirement for this task. The HR staff did not record/document the completion of the various steps

AUDIT RESULTS

in this process. Controls can be enhanced by establishing and maintaining an internal checklist documenting the completion of the necessary steps for this task. This documentation can serve as a tool for management to monitor the performance of these very critical steps. Given the exceptions noted, having a reporting mechanism will ensure that all terminations are processed in accordance with established procedures.

Comparison of information from Blue Cross Blue Shield data and the Workterra system for active employees showed some discrepancies.

The Workterra system used by the City to manage health benefits interfaces with a system called Benefits Focus. Blue Cross Blue Shield, the City's third party administrator of the health benefits plan, extracts data from the Benefits Focus system. Audit staff compared data of all employees that were enrolled in a health insurance plan per a list provided by Blue Cross Blue Shield to all employees that were active in the Workterra system.

Approximately 42 employees were categorized as active in the Blue Cross Blue Shield data, even though their coverage was terminated in the Workterra system. The list was provided to the Human Resources Department staff for further investigation. The Human Resources staff did not reconcile the Blue Cross Blue Shield data to the data in the Workterra system. Blue Cross Blue Shield processes claims based on data it extracts from the Benefits Focus system, which interfaces with the Workterra system. If errors are present in the Blue Cross Blue Shield list it could potentially affect the claims processed.

Controls were not working as intended to ensure proper administration of Retiree (Service and Disability) health benefits with the exception of administration of the Medicare Supplement.

Healthcare coverage is a benefit that is available to City of Durham retirees that meet certain eligibility requirements as outlined in HRM 508-1. At age 65, retirees are no longer eligible to continue enrollment in the healthcare plan, but qualify for Medicare and the City's Medicare Supplement program.

Effective Controls:

Adequate controls existed over administration of the Medicare Supplement benefit to retirees.

The eligibility criteria for retirees to participate in the Medicare Supplement Plan were triggered by a monthly notification to the Human Resources staff from Blue Cross Blue Shield of retirees approaching the age of 65. Only retirees that were on the Blue Cross Blue Shield policy at the time of retirement would be eligible to receive the Medicare Supplement benefit. This information should be shared with each retiree during the exit conference. Audit Services staff examined a 10% sample (30) of retired employees receiving Medicare Supplements. Of the 30 records examined, all retirees receiving the Medicare Supplement met the eligibility requirements. Nine of the 30 records examined did not have re-verification documentation or other documentation on file to support performance of the re-verification process. Re-verifications are conducted yearly between January and March to ensure that retirees maintain eligibility for continuing to receive the Medicare Supplement. According to the Medicare Supplement guidelines, "Retirees are required to provide Department of Human Resources staff with the most recent copy of their Medicare Supplement statement". Documentation should be maintained to indicate re-verification occurred.

Control Deficiencies:

Tests performed by Audit Services staff highlighted the following issues:

Rates charged for several disability retirees were not calculated in accordance with Policy HRM 508-1.

Audit Services staff selected a sample of 34 retirees to test the accuracy of healthcare charges as established by Policy HRM-508-1 "Retirement". According to the Policy, "For those approved by the state for disability retirement, the City of Durham will pay the premiums for life insurance and the employer portion of

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single health insurance for one year after the approved retirement date (two-party or family coverage would be available at the regular retiree rates). After the first year, health insurance coverage will be provided at employee rates and coverage levels up to age 65, subject to timely premium payment and continuation of the program. Disabled retirees with at least 5 years but less than 20 years of service with the City of Durham may elect pro-rated health insurance rates. Retirees with 15-19 years of City service will pay the employee rate, plus 25% of the City contribution. Retirees with 10-14 years of City service will pay the employee rate, plus 50% of the City contribution". The policy however, does not mention the rate scale for years of service between 5-10 years.

For seven of the 34 (21%) records examined, Audit Services staff found that the amount billed to the retirees was incorrect. The effective retirement date for these retirees was prior to the effective date of Policy HRM 508-01. According to the Comprehensive Annual Financial Report, the policy in effect during the effective date of retirement for these employees stated that, "Eligibility for post-retirement health insurance is limited to retirees who have not reached the age of 65 and have been a member of the group health plan for 90 days prior to the retirement date. The City provided a subsidy of 70% of the premium charged by the provider for retiree and eligible dependent health insurance. For disabled retirees, the City would pay 100% of the premium for individual coverage for the 12 months following retirement, and supplement dependent coverage at retiree group rates. The disabled retiree had the option after the 12 month period to continue group health insurance until age 65 under the current group retiree plan". For these exceptions the amount billed was not in accordance with this policy. Six of the seven records examined were for individuals who retired with a disability. These retirees were eligible to receive benefits and therefore the financial loss that the City incurred would be the difference between the correct billing amount and the amount billed.

In addition, Audit Services staff performed additional testing from information generated from the MUNIS system of retirees with

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less than 20 years of service. A total of 103 records were examined to ensure retirees were paying the correct amount based on the policy in effect at the time of retirement. Four (4) exceptions were noted.

Several retirees were not billed for their share of the Health Insurance Premiums.

Audit Services staff compared the active employees in the Workterra system to active employees per the MUNIS system. Investigation of the discrepancies identified by this test revealed that 21 retirees were not being billed for their share of the health insurance premiums. The lost reimbursement to the City for these 21 employees based on their effective retirement date and type of health insurance coverage was \$23,000. Claims processed are not factored into this loss because the employees were eligible to be enrolled in the City's health insurance plan according to Policy HRM 508-1. Controls did not exist to ensure that premiums for all retirees were accurately processed by the HR staff. The Human Resources staff did not record the execution of the required procedures. They can enhance their controls by establishing and maintaining an internal checklist documenting the necessary processes performed by the staff. Given the exceptions noted, having a reporting mechanism will ensure that all retirees are processed in accordance with established procedures.

In addition, Audit Services staff performed additional testing from information generated from the MUNIS system of retirees with less than 20 years of service. A total of 103 records were examined to ensure retirees were paying the correct amount based on the policy in effect at the time of retirement. Approximately 14 exceptions were noted where employees were active in the Workterra system; however, they were not set up to be billed by the City in the MUNIS system for benefits [based on eligibility].

Retirees are still showing an active status in the Workterra system instead of a retiree status.

Approximately 59 retirees still had an active status in the Workterra system when they were showing a retired status according to the MUNIS system. If the retirees are still active in the Workterra system, a potential risk exists that they may continue to receive health benefits after age 65. All retirees are only eligible to receive health insurance benefits through the City until the age of 65 according to HRM 508-1. After age 65 they are eligible to receive the Medicare supplement.

Policy HRM 508-1 does not clearly state the pro-rated cost that retirees with disability pay if they have more than 5 but less than 10 years of service.

The Retiree/Cobra billing agreement outlines the pro-rated health benefits available to retirees. Per this agreement, the City will pay 50% of the employer contribution towards the monthly health insurance premiums and the retiree will be responsible for all remaining insurance costs until the City insurance benefit ends the month before the retiree reaches age 65. Policy HRM 508-1 does not clearly state the pro-rated costs that retirees with disability pay if they have more than 5 but less than 10 years of service.

AUDIT RESULTS

Summary of Findings

Control Weaknesses	Risks to the City
<p>Terminated employees still showing as active; retired employees charged incorrect rates; retirees not billed for insurance received; retired employee status showing as active versus retired.</p>	<p>Potential financial loss existed from:</p> <ul style="list-style-type: none"> • Paying claims for ineligible persons; • Non collection of premiums; and • Charging incorrect rates.
<p>The MUNIS system and the Workterra system did not interface with each other, which increased the risks to the City due to the manual entry of information in multiple systems. In addition, a reconciliation process did not exist.</p> <p>The BCBS system did not match the City system for covered employees.</p>	<p>Potential financial loss existed from:</p> <ul style="list-style-type: none"> • Employees paying an incorrect premium; • Terminated employees continuing to receive health insurance benefits; and • Retired employees continuing to receive health insurance benefits without reimbursing the City for their share of the premium.
<p>Lack of current SOPs</p>	<p>Lack of standardization of processes as well as guidance for monitoring critical functions</p>
<p>HRM 508-1 language was insufficient with regard to disabled retirees with 5-10 years of service</p>	<p>Lack of clarity in the policy could result in confusion and the incorrect calculation of rates</p>

Conclusion

Health benefits for all employees, including service retirees and disability retirees, are processed by the Human Resources Department staff using the Workterra system. The Workterra system is used to manage the benefits administration process. In addition, the MUNIS system is used to ensure employees pay the premiums for their elected health insurance benefits. The MUNIS General Billing module is used to bill retirees that continue to obtain health benefits through the City. The Workterra System and the MUNIS system do not interface with each other. Data from one system does not feed into the other automatically. Department of Human Resources staff did not reconcile the information contained in the Workterra system to the information contained in the MUNIS system. In the absence of the systems interfacing with each other, controls should be in place to reconcile the systems. A comparison of the systems during the audit identified the following potential issues:

- Information pertaining to the health insurance plans for active employees was consistent in both systems with a few exceptions.
- Health insurance coverage was not ended in the Workterra system for some employees who were terminated from City employment, excluding retirees.
- Comparison of information from the Blue Cross Blue Shield Benefits Focus system and the Workterra system for active employees showed some discrepancies.
- Controls were not working as intended to ensure proper administration of Retiree (Service and Disability) health benefits with the exception of administration of the Medicare Supplement.
 - Rates charged for several disability retirees were not calculated per Policy HRM 508-1;
 - Several retirees were not billed for their share of the health insurance premiums;
 - Retirees are still showing an active status in the Workterra system instead of a retiree status; and

AUDIT RESULTS

- Policy HRM 508-1 does not clearly state the pro-rated cost that retirees with a disability pay if they have more than 5 but less than 10 years of service.

In addition, although written SOPs existed, they did not reflect the current procedures used to process healthcare benefits in the MUNIS system and the Workterra system for retirees, active employees, and terminated employees.

RECOMMENDATIONS

The Department of Human Resources staff should implement the following recommendations.

Recommendation 1

Take corrective action to address the following exceptions noted as part of the audit results:

- Review the 11 incorrect health plan types in the MUNIS system compared to the Workterra system. Ensure that the employee is charged for the accurate plan type in the MUNIS system;
- Review the 54 terminations per the MUNIS system that were still showing as active in the Workterra system. Ensure that the City is not paying for health insurance for terminated employees;
- Follow up with Blue Cross Blue Shield regarding 42 records that are inconsistent between their system and the Workterra system data;
- Review 35 retirees that are not currently billed and set them up in the billing system as appropriate; and
- Update the status of 59 retirees in the Workterra system that is still showing as active.

Recommendation 2

Continue efforts to ensure the MUNIS system and the Workterra system interface with each other, in order to reduce risks to the City due to manual entry of information in multiple systems. In the interim, establish the following controls to ensure data is consistent in the systems:

- Reconcile information in the Workterra system with information in the MUNIS system to ensure data pertaining to health benefits is consistent. Investigate any discrepancies and make appropriate changes;
- Compare the information from Blue Cross Blue Shield to information from the Workterra system to ensure only active employees have health insurance;

RECOMMENDATIONS

- Obtain a Termination Report from the MUNIS system and compare it to the active employees in the Workterra system to ensure terminated employees are no longer receiving health benefits; and
- If feasible, compare the list of retirees being billed for health insurance premiums in the MUNIS system to the list of retirees from the employee side of the MUNIS system and the list of retirees from the Workterra system to ensure all retirees are being billed as required by policy HRM 508-1.

Recommendation 3

Develop written standard operating procedures and ensure staff are trained on these procedures. The procedures should at the least:

- Outline the detailed desk procedures for all processes related to HR health insurance benefits;
- Describe the timeframe for when actions need to happen;
- Describe a monitoring system to ensure all retirees and terminations are processed in accordance with established procedures;
- Describe the monitoring tool to document annual re-verifications of the Medicare Supplement; and
- Describe the frequency of reconciling the various systems.

Recommendation 4

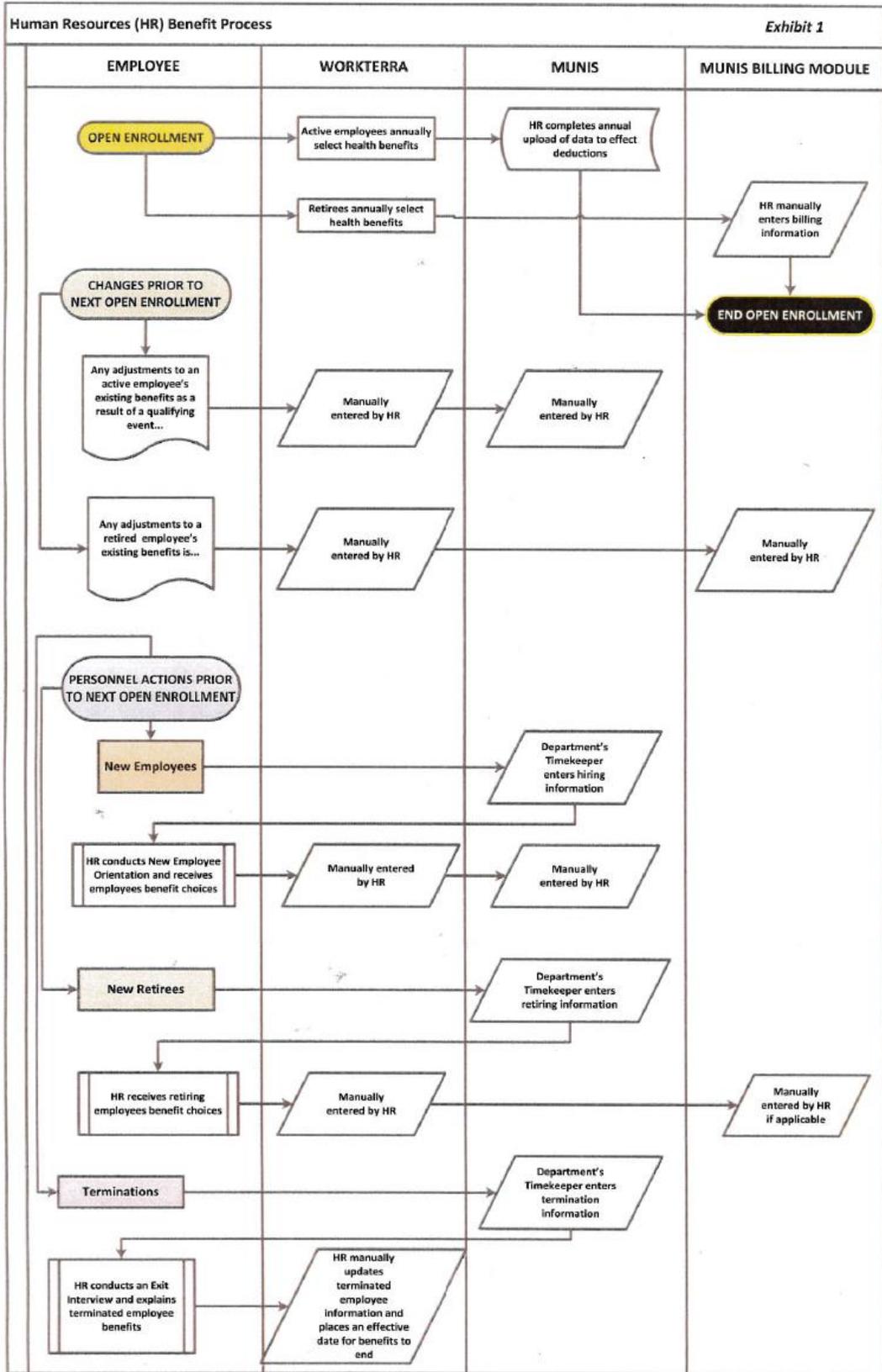
Develop a process to ensure that retirees who retired with an effective date on or after the date of Policy HRM 508-1 (2012) are charged the correct rates per the Policy going forward.

For retirees who retired with an effective date prior to the current policy in effect, Policy HRM 508-1 (2012), management needs to determine under which rate structure the City will continue to bill retirees going forward.

RECOMMENDATIONS

Recommendation 5

Policy HRM 508-1 should clarify the prorated rates to be charged to employees that retire with disability if they have more than 5 but less than 10 years of service.





Memo to: Dr. Germaine F. Brewington, Director of Audit Services

From: Regina Youngblood, Human Resources Director
Michele Cash, Benefits Manager

Date: April 23, 2015

Subject: Management's Response - Health Benefits Performance
Audit (April 2015)

The following is the management's response to the Health Benefits Performance Audit dated April 2015.

Recommendation 1:

Take corrective action to address the following exceptions noted as part of the audit results:

- Review the 11 incorrect health plan types in the MUNIS system compared to the Workterra system. Ensure that the employee is charged for the accurate plan type in the MUNIS system;
- Review the 54 terminations per the MUNIS system that were still showing as active in the Workterra system. Ensure that the City is not paying for health insurance for terminated employees;
- Follow up with Blue Cross Blue Shield regarding 42 records that are inconsistent between their system and the Workterra system data;
- Review 35 retirees that are not currently billed and set them up in the billing system as appropriate; and
- Update the status of 59 retirees in the Workterra system that is still showing as active.

Management's Response:

We concur. Management is in full agreement with the recommendation.

As a point of clarification, the pay plan types in the MUNIS system are not incorrect. There are, however, some pay plan types that are no longer actively in use; this creates the risk of incorrectly selecting the wrong plan type when establishing benefit rates for an employee. In fact, three (3) employees had an inactive plan type attached to their record. Human Resources is in the process of adjusting these three records; they will be corrected by May 1, 2015. Unfortunately, the unused benefit plan types cannot be deleted from the system because this would eliminate historical records used by Finance. Human Resources will work with Finance to rename the active benefit types in a manner that will differentiate them from the prior year types.

Human Resources has already inactivated in Workterra, the City of Durham's benefits enrollment system, all 54 of the employees who are terminated per the MUNIS system. Going forward all separated employees will be inactivated from the Workterra system within 10 days of receipt of the terminations report from Technology Solutions. Further, Human Resources will quarterly reconcile MUNIS and Workterra to identify and resolve any discrepancies.

Human Resources has followed up with BCBSNC regarding the 42 records that are inconsistent between their system and Workterra. BCBSNC has already corrected the records in their system. Going forward, BCBSNC will provide Human Resources with an exceptions report generated from the transmittal immediately for reconciliation.

Human Resources will review the 35 retirees identified to determine the correct billing rate. Each of the incorrectly billed retirees will receive a letter from Human Resources to inform them of their corrected billing rate. Letters will go out by May 1, 2015. The final update of MUNIS will occur 60 days later.

Lastly, Human Resources is working with the Workterra's administrative team to change the 59 incorrectly coded retirees from active status to retired. Status changes will be completed by May 1, 2015.

Implementation Date: July 2015

Recommendation 2:

Continue efforts to ensure the MUNIS system and the Workterra system interface with each other, in order to reduce risks to the City due to manual entry of information in multiple systems. In the interim, establish the following controls to ensure data is consistent in the systems:

- Reconcile information in the Workterra system with information in the MUNIS system to ensure data pertaining to health benefits is consistent. Investigate any discrepancies and make appropriate changes;
- Compare the information from Blue Cross Blue Shield to information from the Workterra system to ensure only active employees have health insurance;
- Obtain a termination report from the MUNIS system and compare it to the active employees in the Workterra system to ensure terminated employees are no longer receiving health benefits; and
- If feasible, compare the list of retirees being billed for health insurance premiums in the MUNIS system to the list of retirees from the employee side of the MUNIS system and the list of retirees from the Workterra system to ensure all retirees are being billed as required by policy HRM 508-1.

Management response:

We concur. Management is in full agreement with the recommendation.

On a quarterly basis, Human Resources will complete a reconciliation of Workterra to MUNIS to ensure that the data is consistent. All discrepancies will be promptly investigated and resolved.

Benefits Focus, the system that BCBSNC uses to integrate our Workterra data into their business system, will now be sending the Benefits Manager a weekly report of all errors that are occurring between the weekly upload of Workterra to BCBSNC. These errors will be researched and corrected to avoid the existing problem. Further, Human Resources will complete a reconciliation of the two systems quarterly to identify any inconsistent data and all discrepancies will be promptly investigated and resolved.

Human Resources is receiving a termination report from the TS department of all terminations from MUNIS. The benefit staff is using that report to

MANAGEMENT'S RESPONSE

terminate employees off the Workterra system. The department is now in the process of adding a performance goal that states that terminations must occur within 10 days from receipt of report and the staff member will sign off on the report signifying that it has been completed.

On a quarterly basis, Human Resources will compare the list of retirees being billed for health insurance premiums in the MUNIS billing system to the employee side of the MUNIS system and then to Workterra to ensure compliance with policy HRM 508-1.

Implementation Date: All components of the three systems are currently being reconciled and corrected as part of the Audit. Department management will begin quarterly reconciliations beginning July 2015. Further, the change in performance expectations and confirmation will begin taking affect April 27, 2015.

Recommendation 3:

Develop written standard operating procedures and ensure staff are trained on these procedures. The procedures should at the least:

- Outline the detailed desk procedures for all processes related to HR health insurance benefits;
- Describe the timeframe for when actions need to happen;
- Describe a monitoring system to ensure all retirees and terminations are processed in accordance with established procedures;
- Describe the monitoring tool to document annual re-verifications of the Medicare Supplement; and
- Describe the frequency of reconciling the various systems.

Management's Response:

We concur. Management is in full agreement with the recommendation.

Human Resources is currently in the process of developing the standard operating procedures and will incorporate all suggestions noted above. The Human Resources members responsible for the functions will be appropriately trained.

Implementation Date: June 2015

Recommendation 4:

Develop a process to ensure that retirees who retired with an effective date on or after the date of Policy HRM 508-1 (2012) are charged the correct rates per the Policy going forward.

For retirees who retired with an effective date prior to the current policy in effect, Policy HRM 508-1 (2012), management needs to determine under which rate structure the City will continue to bill retirees going forward.

Management's Response:

We concur. Management is in full agreement with the recommendation.

A single spreadsheet will be developed of all retirees, the effective date of their termination, years of service upon retirement, and date of birth. This spreadsheet will be maintained and used as the basis for calculating retiree premiums. Retirees that have been incorrectly billed will receive a communication explaining to them the error and the correction process that will occur.

For retirees who retired with an effective date prior to the policy, management will review all records to determine the correct amount and make a recommendation to management as to the best course of action.

Implementation Date: June 2015 (prior to the role out of open enrollment)

Recommendation 5:

Policy HRM 508-1 should clarify the prorated rates to be charged to employees that retire with disability if they have more than 5 but less than 10 years of service.

Management's Response:

We concur. Management is in full agreement with the recommendation. The policy will be updated to reflect the change and submitted for review.

Implementation Date: June 2015