

AU22-004 Human Resources: Employee Beneficiary Verification

City Auditor's Office

Summary:

Audit Objective: Determine if ineligible recipients receive City Health insurance benefits.

Audit Scope: January 1, 2023, through December 31, 2023.

Out of Scope: Dental Insurance, Vision Insurance, Life Insurance, Disability Insurance

Overall Conclusion : During the audit scope period, The benefits processes rely on manual steps, such as paper forms for terminations and dependent updates, which increases the chances of delays and errors. Important requirements—like submitting documents on time or providing proof before adding dependents are not automatically enforced, and the system does not have built-in controls to prevent incomplete submissions. Additionally, system features—including review modules and documentation requirements—should be fully configured, automated, and utilized to ensure operational efficiency.

Management Response:

Of the six recommendations submitted by the City Auditor's Office, management agreed with three and partially agreed with the remaining three.

Audit Result and Findings

- 140 terminated employees were improperly listed as eligible for healthcare benefits
- * Estimated amount of \$31,571 in overpaid administrative fees (Unnecessary cash outflow) to the third-party administrator for City employees (BlueCross BlueShield)
- Dependent eligibility documentation was missing in 60% of sampled cases
- One instance of a former employee receiving services from the Wellness Clinic after termination
- Sensitive personal information contained on Qualifying Life Events (QLE) forms is unnecessarily placed at risk of disclosure
- Lack of formally documented policies and procedures pertaining to health care benefits

* Due to insufficient documentation and reconciliations, the initial estimate relied on BCBS monthly administrative charges. Subsequent to the report being signed, HR updated the figure to \$14,985, the audit team will evaluate this new data during the follow-up phase in accordance with professional standards.

Recommendations:

1. Develop an automated system to ensure an accurate record of active employees.
2. Develop a policy to require Form 12As to be submitted to HR- Benefits Division and to the Payroll Division within one working day of being terminated.
3. Develop an automated workflow to process changes for all employees' salaries and benefits.
4. HR should ensure there is documentation to support eligibility for all dependents and protect the privacy of the documentation.
5. HR should work with IT to develop self-service automated workflow processing to accommodate employee Qualifying Life Events (QLE).
6. HR should comprehensively review policies and procedures associated with healthcare benefits at least every one to three years, update as appropriate, and publish on Employee Connect.

End!

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