



CITY OF WILMINGTON

Health Benefits Follow-up Internal Audit Review

December 16, 2020

City Auditor's Office

Terence J. Williams
City Auditor
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Highlights

Why We Did This Audit

Internal Audit (IA) performed a scheduled audit for Health Benefits as a follow up engagement. The audit was conducted based on the 2020 Internal Audit Plan.

Methodology

The audit period was July 1, 2018 to December 31, 2019 and involved reviewing 24 retirees during detailed testing. To meet our objectives, IA examined various reports from Highmark BCBS and interviewed various members of the Benefits Division in Human Resources (HR) to gain an understanding of their processes.

Audit Review Committee:

Ronald Pinkett, Chair

Ciro Adams
Marchelle Basnight
Angelique Dennis
Bud Freel
Tanya Washington

Objective and Scope

Internal Audit (IA) conducted a Performance Audit on Health Benefits. Our objectives during this engagement were to determine whether sufficient internal controls are in place to ensure that benefits enrollment and termination processes are efficient and effective. The scope of the audit includes reviewing benefits enrollment activity, as well as, all register and claims reports from Highmark BCBS during the City of Wilmington's (CoW) FY19 and FY20.

We conducted our audit in accordance with Generally Accepted Government Auditing Standards ("GAGAS"). These standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives.

Background

The CoW offers health insurance to all eligible employees and retirees across all departments. The City subsidizes most of the cost of health insurance premiums, and employees are responsible for paying a portion of the premium, deductibles and copayments. The Benefits Division within the Human Resources (HR) Department manages the City's medical benefits function. Their Benefits Manager oversees the Division and is responsible for administering the health care program and ensuring that covered employees, spouses, and dependents, are eligible to participate in the Plan. In June of 2018 Internal Audit conducted a performance audit on Healthcare Benefits and observed the following issues: Compliance, Errors & Omissions, Review & Approval Process, and Reporting. Since the last audit report, retirees no longer receive a supplemental plan with Highmark BCBS. The City replaced the supplemental plan with Aetna for retirees over 65 years of age.

Key Statistics:

Categories for Key issues	FY 2017	FY 2019
Compliance	✓	N/A
Errors & Omissions	✓	✓
Review & Approval Process	✓	N/A
Record Retention	N/A	✓
Reporting	✓	N/A

What we found

Key Findings

Following are key issues that resulted in a process/area to be risk rated a three or four. See **Attachment A** for the detail of these and all comments identified during the review.

<i>Risk Ranking:</i>		(See Attachment B for full rating definitions)				
Process / Area	Process / Area Owner	1 Strong Controls	2 Controlled Effectively	3 Controlled - Improvement Required	4 Significant Improvement Required	Prior Year Ranking
Record Retention					✓	N/A
Errors & Omissions				✓		4

Record Retention

1. Control weaknesses were identified during a review of the Health Benefits reconciliation and record retention processes.
 - The benefits team was unable to produce reconciliation reports to review for the FY18 and FY19.
 - Information requested was not provided or missing for one of 24 (4%) enrollees.
 - Four retirees did not have any of the standard benefit enrollment forms (i.e. Highmark BCBS Transmittal form or a checklist provided by Highmark BCBS) in their file
 - A retiree that had a lapse in coverage based on a review of their enrollment form and benefits effective date.

Errors & Omissions

2. Control weaknesses were identified during our review of the claims reported from Highmark Blue Cross Blue Shield (BCBS) and employee enrollment.
 - During the review of claims reporting there was one retiree who should have been removed. The enrollment files indicate the individual was transitioning to Medicare with the City of Wilmington's (CoW) supplemental Aetna plan effective October 1, 2019. However, Highmark BCBS paid a claim in October 2019 for this retiree which lead to immaterial amount paid.

Management Responses to Audit Recommendations

Summary of Management Responses

Recommendation #1: Management should self-audit their record retention system for accuracy.

Management response & action plan: PT. 2 Later in 2021, Benefits will launch the Winston (HR Ally) benefits enroller. This will allow for employee self-service and document storage by both the employee and the benefits team within the employee record. Allowable documents are expansive and allow for upload of letters and checklists versus just SSN cards and birth/marriage certificates.

Completion Date: December 31, 2021

Recommendation #2: The benefits team should also develop and enforce a process for reviewing records. and ensuring that all required documentation is accessible.

Management response & action plan: Retiree and Employee Enrollment and Termination checklists have been updated to reflect the entire benefits portfolio to ensure accurate procedure for processing. With Covid, employee folders are not used as everything has been made digital. Checklists are completed and saved on the J Drive. For Fy22, we are migrating shared files to the Benefits OneDrive for accessibility.

Completion Date: June 30, 2021

Recommendation #3: In addition, reconciliations should be performed on a monthly or quarterly basis and saved in a designated shared drive for authorized employees to have access.

Management response & action plan: Lack of reconciliation reporting was due to transition from previous benefits administrator to new staff. Manager did not incorporate reconciliation to new administrator until recently.

PT.1 The updated reconciliation process is monthly and quarterly. There is a scheduled meeting with manager and administrators. Auditing administrator will highlight discrepancies and benefit administrators responsible for enrollment and termination most research issue and enter comment for resolution. All reconciliations are saved on the Employee Benefits OneDrive. Manager signs audit document to acknowledge meeting was conducted and issues were resolved.

Completion Date: June 30, 2021

Recommendation #4: Management should consider reinforcing the importance of a thorough review process, with multiple people reviewing reports in order ensure mistakes are detected.

Management response & action plan: Note: Claim paid in error was for \$140 office visit. Overall, audit showed a solid process with this one error. Updated monthly and quarterly auditing process with manager sign-off is in place to ensure better mistakes are detected timely.

Completion Date: June 30, 2021

Recommendation #5: In addition, someone should review the medical claims trend report from BCBS to ascertain claims are not being paid to ineligible participants.

Management response & action plan:

Completion Date:

Audit Team

Nicole Sammons-Johnson, Senior Auditor
Tamara Thompson, Audit Manager