HUMAN RESOURCES DEPARTMENT
RISK MANAGEMENT DIVISION
HEALTH INSURANCE AND CLAIMS
AUDIT 22-09
AUGUST 27, 2022

City of Tampa
Jane Castor, Mayor

Internal Audit Department
315 E. Kennedy Boulevard
Tampa, Florida 33602
Office (813) 274-7159

August 27, 2022

Honorable Jane Castor
Mayor, City of Tampa
1 City Hall Plaza
Tampa, Florida

RE: Health Insurance and Claims, Audit 22-09

Dear Mayor Castor:

Attached is the Internal Audit Department's report on Health Insurance and Claims.

Human Resources – Benefits Section has already taken positive actions in response to our recommendations. We thank the management and staff of the Human Resources – Benefits Section for their cooperation and assistance during this audit.

Sincerely,

/s/ Christine Glover

Christine Glover
Internal Audit Director

cc: John Bennett, Chief of Staff
Dennis Rogero, Chief Financial Officer
Kelly Austin, Human Resources and Talent Development Director
Tony Hagler, Benefits Manager
Carl Brody, Assistant City Attorney

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/s/ Vivian N Walker

Senior Auditor

/s/ Christine Glover

Audit Director

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BACKGROUND

The Benefits Section (Benefits) of the City of Tampa (City)'s Human Resources Department is responsible for enrolling and coordinating health benefits for all non-sworn employees. The City's FY 2022 Operating and Capital Budget lists health insurance goals and objectives that include controlling "healthcare costs" and supporting "employee total compensation with dental, life, disability, vision and retirement benefit programs." Benefits has an authorized staffing level of five employees.

Effective January 2021, "all active bargaining unit and non-bargaining unit sworn employee, eligible family members and legal dependents" are covered under a health care trust (Trust). The Trust is administered by a Board of Trustees (Board) and the benefits include "medical, dental, vision and additional benefits." The City has a memorandum of understanding with the Board and limited financial obligations as outlined in the respective Police or Fire union agreements. This audit did not cover the Trust.

STATEMENT OF OBJECTIVES

This audit was conducted in accordance with the Internal Audit Department's FY 2022 Audit Agenda. The objectives of this audit were to ensure that:

1. The system of internal controls for separation of duties between employees that processed enrollments and employees accepting premium payments for benefits is adequate.

2. Medical and non-medical claims are paid for eligible employees or employees' dependents.

3. United Health Care (UHC) complies with the agreement to process claims within plan costs and in a timely manner.

4. Relevant performance metrics are accurate, consistent, and verifiable.

STATEMENT OF SCOPE

The audit period covered health insurance claim activity that occurred from January 2021 through April 2022. Tests were performed to determine whether Benefits personnel were fulfilling their stated duties and responsibilities in an effective and efficient manner. Original records as well as copies were used as evidence and verified through observation and physical examination. Data was generated through UHC software. UHC provided a System and Organization Controls 1 (SOC 1) report that assessed internal controls related to claims processing. The opinion from the SOC 1 review was that the controls in place were effective during the period covered by this audit scope. Based on the SOC 1 report, the data generated was deemed reliable.

STATEMENT OF METHODOLOGY

Due to the restrictions in the Health Insurance Portability and Accountability Act (HIPAA), there was no information used that would specifically identify an employee during testing. UHC provided claims data with unique identifiers they created. The following steps were performed to determine compliance with the stated objectives:

- Reviewed the process for employee benefit enrollment or requested changes.
- Compared the enrollment process to the process for employee premium remittal to determine proper segregation of duties.
- Reviewed data from UHC to determine compliance with timeliness of claims processing and validity.
- Reviewed documentation from a vendor contracted by UHC to assess compliance with the Consolidated Omnibus Budget Reconciliation Act (referred to as COBRA) for employees that qualified.
- Reviewed documentation provided by the City's consultant who monitors the UHC contract for compliance with their agreement.
- Reviewed payroll activity for employees that were on an approved leave to determine non-medical benefit premiums were properly collected.
- Discussed with Benefits Management whether any performance metrics related to benefits were being reported.

STATEMENT OF AUDITING STANDARDS

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, 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 CONCLUSIONS

Based upon the test work performed and the audit findings noted below, we conclude that:

1. The system of internal controls for separation of duties between employees that process enrollments and employees accepting premium payments for benefits is adequate.
2. Medical and pharmacy claims were paid for eligible employees or employees' dependents. However, the dependent eligibility verification process is not being completed on an annual basis.
3. UHC complied with the agreement to process claims within plan costs and in a timely

manner.

4. Dental and/or vision claims were paid for eligible employees or employees' dependents. However, the non-medical premiums from employees that were on an approved leave of absence were not always collected timely.

5. Management does not currently report performance metrics for benefits. However, relevant performance metrics were identified that should be reported.

NON-MEDICAL BENEFIT PREMIUM

STATEMENT OF CONDITION: The full premiums for non-medical benefits (for example dental, vision, or life) are paid by the employee through payroll deduction. An employee on leave that has exhausted their leave balances may not have sufficient earnings to cover the deduction(s) for their non-medical premium(s), which should be communicated to the medical provider by Benefits. However, Benefits is not notified when employees may not have adequate earnings to cover premiums.

A random sample of 24 employees who recorded away without pay identified nine that were not subject to a payroll deduction of non-medical premiums. For the remaining 15, two employees did not have earnings for a month to cover the non-medical premium(s). A report from the Employee Relations Section in Human Resources identified both employees as being out on an approved leave of absence, which would require the employee to remit premiums for any benefits they want to continue receiving. However, Benefits did not receive evidence that the premium(s) had been paid by either employee. Due to HIPAA, this review could not verify if the two employees received any non-medical services.

Note: Benefits Management is taking steps to correct this issue until a permanent process can be implemented. Also, Benefits Management indicated that the benefit providers are sent all premiums collected through payroll deduction. The City is responsible for notifying the providers if an employee is ineligible to receive services.

CRITERIA: Non-medical insurance premiums are required to be paid by the employee, in full, through payroll deduction. If an employee takes a leave of absence, they are required to remit the full premium(s) if they want coverage to continue.

CAUSE: The Benefits employee responsible for monitoring employees required to remit payment for non-medical benefits left the City's employment and this function was not being performed by anyone else in Benefits. Additionally, since the fall of 2021, Revenue and Finance (R&F) has not forwarded a report of premiums received due to reporting issues with the Oracle Cloud upgrade.

EFFECT OF CONDITION: Although the City is not directly impacted by non-medical benefit premiums, employees and their dependents could be receiving non-medical benefits when they are ineligible. Additionally, ineligible claims increase the total claims, which could result in higher premiums for all employees.

RECOMMENDATION 1: Benefits Management should request that the Employee Relations Section of Human Resources notify them when an employee will not have earnings sufficient to cover non-medical premiums so they can properly classify the employee as inactive in the benefit provider's system. Additionally, a process should be developed that would result in timely notice to Benefits when an employee is approved for a leave of absence (LOA) so the proper documentation can be captured for premium payments. The process should also include timely notice of when premiums are received by R&F so that any unpaid accounts can be properly classified as inactive.

MANAGEMENT RESPONSE: Concur - Human Resources/Benefits is in process of revising this process that will include monitoring the Critical Leave Status Report each biweekly to create/update a Statement of Account for each employee on an unpaid LOA. The notice to employees regarding their benefits while on an approved LOA has been revised for Employee Relations to provide employees and copy Benefits to notify of first payment due date. Going forward all payments will be received by Human Resources/Benefits then provided to Revenue & Finance for deposit once the employee Statement of Account is updated. A standard operating procedure is in development and will be finalized by August 12, 2022.

TARGET IMPLEMENTATION DATE: September 1, 2022

DEPENDENT ELIGIBILITY VERIFICATION

STATEMENT OF CONDITION: Prior to the Oracle Cloud upgrade, an independent vendor, under contract with UHC, performed dependent eligibility verifications. However, the last verification was in 2020. As of 2021, the upgrade to Oracle Cloud now requires new employees to provide the required documentation for any dependents to Benefits before being considered active. As a result of the Oracle Cloud upgrade requirements, the Benefits manager suspended the dependent eligibility verifications. Although Oracle Cloud has triggers for dependents that turn the age of 26 and may no longer be eligible for benefits, there are other life events that cannot be predicted.

CRITERIA: The current contract with UHC requires dependent eligibility audits.

CAUSE: Upgrade to Oracle Cloud in October 2021.

EFFECT OF CONDITION: Loss of revenue to the City for payment of premiums for ineligible dependents.

RECOMMENDATION 2: Benefits management should resume the external dependent eligibility audits, by UHC, to ensure only individuals that qualify for coverage are shown as active.

MANAGEMENT RESPONSE: Concur - Audits were not really being conducted by Benefits Outsource Inc. (BOI) whose fee is paid from funds allocated under the UHC agreement for WMBE certified providers. BOI administers COBRA and Direct Bill for deferred retirees who must pay for premiums manually until they commence their pension benefits. The service previously provided related to Dependent Audit was receiving supporting documentation (marriage certificates, birth certificates, etc.) from new hires enrolling their dependents in benefits. This documentation was also being required of new hires directly to the City to complete their enrollment in Oracle Cloud. The services provided were duplicating efforts and resulting in customer complaints.

It is recommended that some dependent audit process be reinstated to verify covered spouses are still eligible to be covered (i.e., still married), maybe recertify annually employees who have domestic partners covered, complete annual certification from employees covering dependents age 26 to age 30, etc.

TARGET IMPLEMENTATION DATE: January 1, 2023

STANDARD OPERATING PROCEDURES

STATEMENT OF CONDITION: Benefits does not have written policies and procedures to govern employee activities related to health insurance and claims. Currently employees perform their duties based on verbal training received from their predecessor(s).

Note: The recently hired Benefits manager has started the process to develop written policies and procedures.

CRITERIA: City Code Section 2-46 requires all departments to "create and maintain all records with adequate and proper documentation of the organization, together with the functions, policies, decisions, procedures, and essential transactions, of the department.".

CAUSE: There was no requirement by former Human Resources management to develop written guidelines. The former process included screenshots and hands-on training.

EFFECT OF CONDITION: Inefficiencies can occur when there are no written guidelines or assigned responsibilities. Additionally, without written procedures, institutional knowledge can be lost if the employee performing those duties leaves the area.

RECOMMENDATION 3: Benefits management should continue the process to develop written policies and procedures to document how their section operates. Additionally, the policies and procedures should be reviewed periodically to make sure they are current.

MANAGEMENT RESPONSE: Concur – Creation of Standard Operating Procedures (SOP) is in process. Staff are creating SOPs for work as it is currently performed and as processes are revised.

TARGET IMPLEMENTATION DATE: October 30, 2022

PERFORMANCE METRICS

STATEMENT OF CONDITION: Benefits has not established performance measures for their area. The Benefits manager is in the process of developing workload metrics for Benefits staff. However, the data to be captured will not provide detailed information to measure staff performance against an established goal.

CRITERIA: Performance metrics help guide and gauge an organization's success. In the case of benefits management, performance metrics should be customer focused and center on per-customer efficiency and customer satisfaction. For example, a performance metric could be that 95% of benefit requests received are resolved in three business days.

CAUSE: Metrics have not previously been developed for this section.

EFFECT OF CONDITION: Management may not be aware of process or performance issues that may be identified if performance metrics are implemented.

RECOMMENDATION 4: Benefits management should develop measurable goals for performing job duties. Once developed, data should be captured to measure results achieved against the goals to determine how well the section is performing.

MANAGEMENT RESPONSE: Concur - Benefits recommends monitoring customer inquiries received via Benefitsquestions@tampagov.net to respond to those within 24 hours or one business day. A tracking spreadsheet has been created and will be updated weekly. As time permits and Benefits becomes fully staffed, we will identify other metrics to begin tracking.

TARGET IMPLEMENTATION DATE: Completed as of August 1, 2022