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Risk Management Insurance Benefits

June 29, 2016

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BACKGROUND

The District offers comprehensive insurance benefits consisting of medical and life insurance coverage along with a variety of voluntary benefits including additional life, disability, dental and vision insurance. New employee enrollment must be completed online through the Employee Self-Service portal (ESS) within two weeks from the employee's date of hire. Each year, employees have the opportunity to make changes to their benefit elections through the ESS during an annual enrollment period. Annual enrollment typically occurs during May/June with changes being effective October 1. Employees are not permitted to change their elections during the year unless there has been a change in family or employment status.

During the months of April and May 2016, there were approximately 23,000 benefited employees enrolled in the following plans:

INSURANCE PLAN	Enrolled Employees	Total Employee Premiums/Month	Total Employer Contributions/Month
Medical	21,807	\$2,077,914	\$17,415,505
Dental	15,120	\$464,691	n/a
Vision	11,696	\$105,963	\$11,574
Disability/Vision	6,777	\$208,058	\$42,489
Board Paid Life	23,002	n/a	\$63,807
Totals		\$2,856,626	\$17,533,375

Based on this information, the District's contribution for employee coverage for the fiscal year 2015/2016 will be approximately \$175,333,750.

All of this is administered by the Risk Management Operations division of the district's Risk Management Department.

OBJECTIVE

Our audit objectives were to determine the effectiveness and efficiency of insurance benefits administrative practices, employee and dependent eligibility for benefits, termination of coverage, and the process of collecting premiums from employees through payroll deductions and remittance to insurance providers as well as compliance with applicable Florida Statutes, district policies, department procedures and sound business practices.

SCOPE AND METHODOLOGY

Our audit covered enrollment eligibility and termination of coverage activities during the period from July 1, 2015 through May 31, 2016 for the medical, dental and vision plans. We also reviewed the process of collecting premiums from employees through payroll deductions and remittances to insurance providers.

We used data downloaded from SAP to select a sample of employees for our test. We tested whether appropriate documentation was on file for coverages (marriage certificates, birth certificates, etc.), determined the amount that should have been deducted from employee pay and traced the deductions to payroll records. We used reports supporting remittances to insurance providers to determine that the employee deductions as well as employer payments were transmitted to the insurance providers.

Our audit was conducted in accordance with the *International Standards for the Professional Practice of Internal Auditing* of the Institute of Internal Auditors and included such procedures as deemed necessary to achieve the objectives. Internal Auditing is an independent, objective assurance and consulting activity designed to add value and improve an organization's operations. It helps an organization accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control, and governance processes. We are required to note any material deficiencies in accordance with Florida Statutes, School Board Policy and sound business practices. We also offer suggestions to improve controls or operational efficiency and effectiveness.

COMMENDATION

The Insurance Benefits Department staff is experienced, knowledgeable and well organized. Their processes are well documented.

The results of our review reveal no significant issues. However, we do have two findings and recommendations that we believe will further improve processes.

FINDINGS AND RECOMMENDATIONS

ACCURACY OF MONITORING REPORT

Fifteen (15) employees who were initially hired as part-time employees, but have since become full-time employees, still had the waived medical coverage status. According to the Insurance Benefits Handbook, part-time benefited employees working between 17.5 and 24.9 hours per week have the option to decline medical insurance coverage and it is the employee's responsibility to contact Insurance Benefits if their status changes from part-time to full-time. The Handbook also states that full time employees who do not make a medical plan or alternative to medical plan selection will automatically be enrolled with employee-only coverage.

The Department's report (ZB016) that was supposed to monitor when employees move from part-time status to full-time status did not identify these 15 employees. When reports are not accurate, there is an increased risk that areas of potential concern may not be detected and addressed in a timely manner.

Section 6056 of the Internal Revenue Code, enacted by the Affordable Care Act, requires employers with at least 50 full-time employees to report to the IRS information about the health care coverage they offered to full-time employees. This section also requires employers to furnish related statements to employees that they may use on their individual tax returns. Since these 15 full time employees did not have health care coverage through the District during 2015, it appears that the District, as an applicable large employer, may not have been in complete compliance with the information reporting requirement of this regulation.

It should be noted that management has already taken steps to redesign the report so that it will accurately identify full-time employees who have waived medical coverage.

COVERAGE DOCUMENTATION

Our eligibility test sample of 60 employees found two instances where supporting documentation for coverage was not on file. One was for dependent coverage and the other was for an external medical insurance card required when an employee selects an alternative to medical plan.

According to the Insurance Benefits Handbook, employees must provide documented proof of dependency at the time of enrollment or as requested by the Insurance Benefits Department. In addition, if an employee is not enrolled in a medical plan offered through the District, it is necessary that they provide a copy of their non-OCPS medical insurance identification card.

As soon as we brought these matters to their attention, the Department took immediate action to obtain the required documents and was successful in doing so.

We recommend the Department continue to strengthen its processes to ensure consistent practices in the collection and retention of the appropriate supporting documentation.

We wish to thank the staff of Insurance Benefits for their spirit of cooperation and assistance during the audit.

Vince Roberts, CIA, Internal Auditor

AUDIT RESPONSE MATRIX

FISCAL PERIOD: 7/01/2015 - 6/30/2016

DEPARTMENT/SCHOOL:
 ADMINISTRATOR/PRINCIPAL:
 DEPARTMENT HEAD/AREA SUPERINTENDENT:

Risk Management
Pat Hafer-Plunkett <i>Patricia Hafer-Plunkett</i>
Dale Kelly <i>Dale Kelly</i>

Exception Noted What is? What should be?	Management Response What needs to be done?	Responsible Person Who needs to do it?	Outcome Timeline When will the action be completed? What is the evidence of completion?
<p>Fifteen (15) employees who were initially hired as part-time employees, but have since become full-time employees, still had the waived medical coverage status. According to the Insurance Benefits Handbook, part-time benefited employees working between 17.5 and 24.9 hours per week have the option to decline medical insurance coverage and it is the employee's responsibility to contact Insurance Benefits if their status changes from part-time to full-time. The Handbook also states that full time employees who do not make a medical plan or alternative to medical plan selection will automatically be enrolled with employee-only coverage.</p>	<p>When brought to Management's attention, steps were taken to redesign the report so it accurately identifies full-time employees who have waived medical coverage.</p>	<p>Charlie Boston</p>	<p>When Management became aware of the issue, action was taken immediately. The program has been changed and shows those with the MEDW WAIV plan.</p>

<p>The Insurance Benefits Department's report (ZB016) that was supposed to monitor when employees move from part-time status to full-time status did not identify these 15 employees. When reports are not accurate, there is an increased risk that areas of potential concern may not be detected and addressed in a timely manner.</p>			
<p>The Internal Auditor's eligibility test sample of 60 employees found two instances where supporting documentation for coverage was not on file. One was for dependent coverage and the other was for an external medical insurance card required when an employee selects an alternative to medical plan.</p> <p>According to the Insurance Benefits Handbook, employees must provide documented proof of dependency at the time of enrollment or as requested by the Insurance Benefits Department. In addition, if an employee is not enrolled in a medical plan offered through the District, it is necessary that they provide a copy of their non-OCPS medical insurance identification card.</p>	<p>As soon as these matters were brought to Management's attention, the Insurance Benefits Department took immediate action to obtain the required documents and was successful in doing so.</p> <p>The Insurance Benefits Department will continue to strengthen the processes to ensure consistent practices in the collection and retention of the appropriate supporting documentation.</p>	<p>Charlie Boston</p>	<p>Documentation for the two employees was received and processed in June and submitted to the Internal Auditors at that time.</p> <p>The Insurance Benefits Department continues to monitor and act on those employees that have not provided the required documentation.</p>