



**Human Resources –  
Employee Insurance Benefit Review Audit  
No. A2022-09**

Issued by the  
Internal Audit Office  
December 21, 2022

**City of El Paso  
Internal Audit Office  
Human Resources – Employee Insurance Benefit Review Audit A2022-09**

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***EXECUTIVE SUMMARY***

The Internal Audit Office has concluded the Human Resources – Employee Insurance Benefit Review Audit. Based on the results of the audit, two findings were identified. Only Finding 2 is considered significant in nature due to a violation of City Ordinance and Texas State Library and Archives Commission Records Retention schedules.

Listed below is a summary of the findings identified in this report:

1. The Human Resources Department has processes in place to ensure that employees and dependents enrolled for City Health Benefits are eligible and accurately charged for their elected coverage.
2. A process has not been established to dispose of digital Health Benefits Records for former employees as required by the Texas State Library and Archives Commission and City Ordinance No. 018176. The digital Health Benefit Records are stored in ApplicationXtender Document Manager.

The current records retention period established by the Texas State Library and Archives Commission, Government Record Numbers 1050-08a and 1050-08b for employee Health Benefit Records, ranges from one (1) year to four (4) years after termination of coverage.

For a detailed explanation of the findings, please refer to the body of this Audit Report.

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***BACKGROUND***

City employees, working a minimum of thirty hours a week, may enroll in the City of El Paso Health Benefits Program. Health coverage includes Medical, Dental, and Vision benefits. The health coverage is also available for eligible dependents, for which the employee and the City share the cost of this benefit. Employees may enroll the following dependents:

- Spouse,
- Domestic Partner,
- Children: biological, stepchildren, legally adopted, foster, court ordered, grandchildren in court-ordered custody, any child whose parent is the employee's child and is covered under the City of El Paso plan, disabled children over age 26, and any other child with whom an employee has a parent-child relationship.

Health coverage selected by Non-uniformed employees becomes effective the first of the month after 30 days from the date of hire. Uniformed Police and Fire employees are eligible 60 days from date of hire. Employees must enroll in these programs to receive the benefits.

For Benefit Year 2021, the City of El Paso's employees enrolled the following number of dependents for City health benefits: 2,200 in Medical, 4,453 in Vision, and 4,883 in Dental benefits. The City spent approximately \$40,046,961 in FY 2021 and as of June 30, 2022 has spent \$22,073,548 in FY 2022 to provide Medical, Dental, and Vision benefits to employees, retirees and qualified dependents. Given the high cost of providing health benefits to employees, it is essential that the City seek opportunities to minimize costs. Ensuring that only eligible employees and dependents are enrolled in health benefits helps reduce the overall healthcare costs. The Human Resources Department (HR) – Benefit Services is responsible for the overall administration of the City employee's health insurance plans.

***AUDIT OBJECTIVES***

The objective of the Human Resources – Employee Insurance Benefit Review Audit was to determine if the Human Resources Department has processes in place to ensure that employees and dependents enrolled for City Health Benefits are eligible and accurately charged for their elected coverage. The audit assessed the methods used for:

- New Employee Enrollment,
- Open (Annual) Enrollment,
- Qualifying Events,
- Voluntary Disenrollment,
- Detection and Removal of Ineligible employees and dependents, to include young adults,
- Claims paid for ineligible employees and dependents.

***AUDIT SCOPE***

Benefit Services operates on a Calendar Year cycle. The audit period covered Calendar Years 2021 & 2022.

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***AUDIT METHODOLOGY***

To achieve our audit objectives, we:

- Conducted interviews and observations with Human Resources (HR) – Benefit Services management and staff.
- Obtained an understanding of the applicable HR – Benefit Services Policies and Procedures.
- Obtained an understanding of the HR – Benefit Services processes, support documentation, and timeline requirements.
- Reviewed and analyzed information issued by the Human Resources Department to City staff regarding consequences for claiming ineligible dependents.
- Reviewed and analyzed processes in place to detect and terminate benefits of ineligible and unverified dependents.
- Conducted a review of employees that enrolled a dependent for Health, Vision, and/or Dental coverage in Calendar Years 2021 & 2022 during:
  - Open Enrollment,
  - After a qualifying event,
  - New Employee Orientation.
- Conducted a review of employees that voluntarily disenrolled dependents outside of an open enrollment period.
- Conducted a review of processes in place to detect and terminate benefits for adult dependents that turned 26 years of age and for disabled dependents over the age of 26.
- Conducted a review of claims paid for ineligible and unverified dependents.

We conducted this audit in accordance with Generally Accepted Government Auditing Standards and the International Standards for the Professional Practice of Internal Auditing. 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.

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***SIGNIFICANT FINDINGS, RECOMMENDATIONS,  
AND MANAGEMENT’S RESPONSES***

The definition of a “Significant Finding” is one that has a material effect on the City of El Paso’s financial statements, identifies an internal control breakdown, is a violation of a City procedure, or a violation of a law and/or regulation, which the City is required to follow. Any finding not meeting these criteria will be classified as a “Regular Finding”.

**Finding 1 (Positive Finding)**

**Administration of the City of El Paso Health Benefits Program**

City of El Paso Strategic Plan:

- Goal 6.2 *Implement employee benefits and services that promote financial security.*
- Goal 6.12 *Maintain systems integrity, compliance and business continuity.*

Based on the results of our review of Employee Insurance Benefits, we identified that Human Resources – Benefit Services:

- Has established procedures documenting the enrollment process and defining the documentation requirements for enrolling employees and dependents for benefits.
- Posts and distributes consistent communication to employees regarding benefits and documentation requirements for enrolling dependents.
- Implemented a process to notify third party administrators of terminated employees and their dependents.
- Implemented a process for approving and coding disabled dependents.
- Obtains required documentation for dependents enrolled for benefits.
- Updates Benefit Records stored in ApplicationXtender to reflect up-to-date benefit coverage information.

We can provide reasonable assurance that the Human Resources Department has processes in place to ensure that employees enrolled for City Health Benefits are eligible and accurately charged for their elected coverage.

**Recommendation**

Human Resources – Benefit Services should continue to ensure that employees enrolled for City Health Benefits are eligible and accurately charged for their elected coverage.

**Management’s Response**

None Required.

**Responsible Party**

**Implementation Date**

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**Finding 2**

**Destruction of Digital Employee Health Benefit Records**

City of El Paso Strategic Plan:

- Goal 6.3 *Implement programs to reduce organizational risk.*
- Goal 6.12 *Maintain systems integrity, compliance and business continuity.*

City of El Paso Ordinance No. 018176:

- Section 1: Definition of City Records. *All documents, papers, letters, memorandums, books, maps, photographs, sound or video recordings, microfilm, magnetic tapes, electronic media, or other information recording media, regardless of physical form or characteristic...shall be created, maintained, and disposed of in accordance with the provisions and procedures authorized by this ordinance and in no other manner.*
- Section 12: Records Control Schedules. *In accordance with the Local Government Records Act (the "Act"), Texas Local Government Code Chapter 203.041 (a)(2), in lieu of filing records control schedules, the City of El Paso hereby adopts the records control schedules issued by the Texas State Library and Archives Commission...*
- Section 13: Records Retention. *All City records defined in Section 1 herein shall be retained and disposed of in accordance with the records control schedules issued by the Texas State Library and Archives Commission as described in Section 12 above.*

Texas State Library and Archives Commission *Local Schedule GR, Retention Schedule for Records Common to All Local Governments* Fifth Edition, Effective April 17, 2016:

Record Number	Record Title	Record Description	Retention Period
*GR1050-08a	EMPLOYEE PENSION AND BENEFITS RECORDS	Employee benefit plans such as pension; life, health, and disability insurance; seniority and merit systems; and deferred compensation plans, including amendments.	Termination of plan + 1 year.
*GR1050-08b	EMPLOYEE PENSION AND BENEFITS RECORDS	Enrollment forms providing personal identifying data, beneficiary information, option selection, acknowledgement forms, and similar information.	
		(1) If the official record is maintained by the retirement system of which the local government is a member or by the service provider.	AV – As long as administratively valuable
		(2) If the official record is maintained by the local government. (A) Pension and deferred compensation.	Date of separation + 75 years.
		(B) Life, health, accidental death, and disability insurance. (C) Any benefit other than those noted in (A) or (B).	Termination of coverage + 4 years. US or separation + 2 years, as applicable.

- The current records retention period established by the Texas State Library and Archives Commission for employee Health Benefit Records ranges from one (1) to four (4) years after termination of coverage.

Our review identified that a process has not been established to dispose of digital Health Benefit Records for former employees as required by the Texas State Library and Archives Commission. The digital Health Benefit Records are stored in ApplicationXtender Document Manager.

**Recommendation**

Human Resources – Benefit Services Staff should coordinate with the City Archives & Records Manager to establish a destruction process for digital Health Benefit Records of former employees stored in ApplicationXtender. The records should be disposed of in accordance with the records control schedules issued by the Texas State Library and Archives Commission.

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**Management's Response**

We will accept the recommendation by the Auditor's Office to delete digital Health Benefit records for former employees that are being stored in ApplicationXtender. We will delete all records once employees have been terminated for greater than four (4) years. A new record will be created in ApplicationXtender for Employees who elect to have Retiree coverage. A policy will be created outlining the appropriate steps and processes.

**Responsible Party**

Roman Sandoval and Sandra Ascencio in coordination with IT and the Records department.

**Implementation Date**

August 7, 2023

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***INHERENT LIMITATIONS***

Because of the inherent limitations of internal controls, errors or irregularities may occur and not be detected. Also, projections of any evaluation of the internal control structure to future periods beyond the Audit Report date are subject to the risk that procedures may become inadequate due to changes in conditions, management override of internal controls, or that the degree of compliance with the procedures may deteriorate. This was a limited scope audit which only reviewed the areas stated in the Audit Objectives during the Audit Scope period. No representations of assurance are made to other areas or periods not covered by this audit.

***CONCLUSION***

We have concluded our work on the objectives of the Human Resources – Employee Insurance Benefit Review Audit. The audit evidence used in the analysis is sufficient and appropriate for addressing the objectives and supporting the findings and conclusion. In accordance with *Generally Accepted Government Auditing Standards*, we are required to conclude whether Human Resources (HR) – Benefit Services met the objectives of this audit. Based on our audit work, we have determined that:

1. HR – Benefit Services met the audit objectives in the following areas:
  - Established procedures documenting the enrollment process and defining the documentation requirements for enrolling employees and dependents for benefits.
  - Consistent communication is posted and distributed to employees regarding benefits and documentation requirements for enrolling dependents for benefits.
  - Implementing a process to notify third party administrators of terminated employees and their dependents.
  - Implementing a process for approving and coding disabled dependents.
  - Obtaining required documentation for dependents enrolled for benefits.
  - Updating Benefit Records stored in ApplicationXtender to reflect up-to-date benefit coverage information.
2. HR – Benefit Services did not meet the audit objectives in the following area:
  - Establishing a process to dispose of digital Health Benefit Records for former employees as required by the Texas State Library and Archives Commission.

We wish to thank HR – Benefit Services management and staff for their assistance and numerous courtesies extended during the completion of this audit.

*Signature on File*

Edmundo S. Calderón, CIA, CGAP, CRMA, MBA  
Chief Internal Auditor

*Signature on File*

Liz De La O, CFE, CIA, CGAP, MPA  
Auditor IV

*Signature on File*

Miguel Montiel, CIA, CGAP  
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**Distribution:**

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