



**City Insurance Program – Dependent
Eligibility Coverage Follow-Up
Audit Report A2019-10**

Issued by the
Internal Audit Office
May 29, 2019

**City of El Paso
Internal Audit Office
City Insurance Program – Dependent Eligibility Coverage
Follow-Up Audit No. A2019-10**

EXECUTIVE SUMMARY

The Internal Audit Office conducted a Follow-Up Audit of City Insurance Program – Dependent Eligibility Coverage Audit Report dated September 11, 2017. The original Audit Report contained three findings. Upon completion of the audit fieldwork, we have determined the status of the recommendation for each audit finding as outlined in the table below:

Finding No.	Description of Original Findings	Status
1	<p>Human Resources – Benefit Services does not have documented Policies and Procedures to notify third party administrators of terminated employees and dependents. A review of 13 former City of El Paso employees or dependents with open Aetna claims reversed in FY17 identified that:</p> <ul style="list-style-type: none"> • 12 out of 13 (92%) former employees or dependents that had medical claims reversed in FY17, had insurance coverage canceled with Aetna 30 to 423 days after they were eligible for insurance coverage. A total of \$91,868.89 in claims were paid after the employee’s coverage cancelation date. 	Implemented
2	<p>Dependents’ benefit coverage is not canceled for dependents when proof of dependent eligibility is not provided. A review of 29 ApplicationXtender (AX) Document Manager files of employees that enrolled a new dependent in FY17 (12 during open enrollment, 13 after a qualifying event, and 4 during a new employee orientation in June 2017) identified that:</p> <ul style="list-style-type: none"> • Eight (8) out of 29 (28%) AX files reviewed did not contain the required documentation for dependents to be enrolled for benefits. • 14 out of 29 (48%) AX files reviewed did not contain evidence or indication that dependent eligibility documentation was submitted within the required timeframe. 	Implemented
3	<p>Human Resources – Benefit Services does not consistently terminate coverage for dependents over the age of 26 or update an employee’s ApplicationXtender (AX) Document Manager file to reflect current benefit activity of dependents over the age of 26.</p>	Implemented

For a detailed explanation of the current observations, please refer to the appropriate finding contained in the body of this Audit Report.

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BACKGROUND

The *Generally Accepted Government Auditing Standards* (Standard 5.06 and 6.36) states that auditors should evaluate whether the audited entity has taken appropriate corrective action to address findings and recommendations from previous engagements. The *International Standards for the Professional Practice of Internal Auditing* (Performance Standard 2500.A1) require that the chief audit executive establish a follow-up process to monitor and ensure that management actions have been effectively implemented or that senior management has accepted the risk of not taking action.

AUDIT OBJECTIVES

The audit objective was to ensure that corrective action was taken by management to address the recommendations detailed in the original Audit Report dated September 11, 2017.

AUDIT SCOPE

Benefit Services operates on a calendar year cycle. The audit period covered benefit/calendar years 2018 & 2019.

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 processes in place to detect and terminate benefits of ineligible and unverified dependents,
- Conducted a review of 16 employees that enrolled dependents for health, vision, and/or dental coverage in FY19 during:
 - Open Enrollment
 - After a qualifying event
 - New Employee Orientation
- Conducted a review of processes in place to detect and terminate benefits for 25 dependent adults that turned 26 years of age and for one (1) disabled dependent over the age of 26,
- Conducted a review of claims paid for ineligible 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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CURRENT OBSERVATION AND STATUS

Based on the follow-up audit results, each original finding recommendation will be designated with one of the following four status categories:

<i>Implemented</i>	The finding has been addressed by implementing the original corrective action or an alternative corrective action.
<i>In Progress</i>	The corrective action has been initiated but is not complete.
<i>Not Applicable</i>	The recommendation is no longer applicable due to changes in procedures or changes in technology.
<i>Not Implemented</i>	The recommendation was ignored, there were changes in staffing levels, or management has decided to assume the risk.

Finding 1

Current Observation

Human Resources – Benefit Services has documented Policies and Procedures for their bi-weekly uploads to Aetna, titled “Aetna Medical Interface (Active).” Third party administrators are informed of terminated employees on a bi-weekly basis with the uploads. According to HR – Benefit Services, the only way there might be a delay in notifying third party administrators is if a department does not notify HR of a terminated employee.

A review of open Aetna claims reversed in FY19 identified that there has been an improvement in Aetna being notified of terminated employees and/or dependents. As a result, there has been a decrease in medical claims paid for employees and dependents whose coverage was terminated.

A review of open Aetna claims reversed in FY19 as of May 15, 2019 identified:

- Two (2) employee’s and two (2) dependent’s medical coverage was terminated with Aetna four (4) to 108 days after the last date of coverage. Resulting in \$304.43 in claims paid after the medical coverage termination date.
- One (1) newborn that was not enrolled for medical coverage with the City of El Paso but was covered for 31 days (1/10/2019 to 2/9/2019) under their parent’s (employee’s) medical coverage. Due to an Aetna insurance process, an overpayment of \$12,630.00 occurred for claims received during the period of 2/10/2019 to 2/26/2019, after coverage was terminated. Aetna has taken the necessary steps to reverse the claims and obtain payment from the provider. Aetna automatically covers newborns for the first 31 days after birth and HR Benefit Services is not involved in the process.

Status

Implemented – the number of reversed claims in which HR Benefit Services was responsible for notifying third party administrators of coverage termination has decreased. In addition, the dollar amount of the corresponding reversed claims is immaterial.

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Finding 2

Current Observation

A review was conducted of 16 ApplicationXtender (AX) Document Manager files of employees that enrolled a new dependent in FY19 (7 during open enrollment, 4 after a qualifying event, and 5 during a new employee orientation in March 2019). The review identified that:

- Fifteen out of 16 (94%) AX files reviewed (7 during open enrollment, 3 after a qualifying event, and 5 during a new employee orientation) contained the required documentation for dependents to be enrolled for benefits.
 - One (1) out of 16 (6%) AX files did not contain the required documentation for dependents that were enrolled for benefits as a result of a qualifying event that occurred during the period of January 1, 2019 to March 31, 2019. The "File Note Page" in the AX file does not indicate if the documents were received or if the coverage was terminated. Further review identified that the corresponding dependents were removed from coverage on 4/19/2019.
- Seven (7) out of 16 (44%) AX files reviewed (7 open enrollment) contained the required documentation for dependents to be enrolled for benefits but did not contain evidence that the documentation was submitted within the required timeframe.
 - During Open Enrollment, dependent documents must be submitted to Benefit Services prior to adding a dependent to a plan and new dependents can only be added during the dates available for Open Enrollment. Because dependent documents are required to be submitted prior to Open Enrollment, the corresponding AX files do not reflect the date the documents were submitted. It would be good practice to “date stamp” documents when they are received during Open Enrollment or document in the “File Note Page” when they are received.

Status

Implemented

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Finding 3

Current Observation

Human Resources – Benefit Services is consistently canceling coverage for dependents over the age of 26 and is updating an employee’s ApplicationXtender (AX) Document Manager file to reflect current benefit activity of dependents over the age of 26.

- Procedures for approving and coding disabled dependents have been documented by the Human Resources Department.
- Employee ApplicationXtender (AX) Document Manager files are up to date and reflect up to date information.

Two separate reviews were conducted of (1) dependents about to turn 26 years of age and (2) dependents over the age of 26:

Dependents About to Turn 26 years of Age

The Benefit Services Division runs a monthly query in order to detect and terminate benefits for adults that are about to turn 26 years of age. A review of the “26-Year-Old Dependent Audit” conducted by the Benefit Services Division for dependents turning 26 in the month of March 2019 identified that:

- Nineteen (19) out of 19 (100%) employee AX files were updated to reflect the activity that takes place after a dependent turns 26. The “File Note Page” was updated, and the “26-Year Old Dependent” letter along with the benefit confirmation sheet were placed into the AX file.
 - It was noted that either the first or the last name listed in the “26-Year-Old Dependent” letters were the wrong name for four (4) of the AX files reviewed.

Dependents Over the Age of 26

A request submitted to Aetna of dependents over the age of 26 identified that as of May 13, 2019, there were seven (7) city employee’s dependents over the age of 26, or about to turn 26, with medical coverage. A review conducted of the dependents over the age of 26 with medical coverage identified the following:

- Six (6) out of 7 dependents were coded as losing coverage at the end of May 2019 due to their birthdays occurring in the month of May. The employee's AX file have been updated to reflect the corresponding dependent’s loss of coverage.
- One (1) out of 7 dependents were coded as incapacitated (disabled) by Aetna, which is appropriate. The status of the dependent’s disability request had been updated in the corresponding employee's AX file.

Status

Implemented

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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 audit work on the objectives of the City Insurance Program – Dependent Eligibility Coverage Follow-Up Audit. The audit evidence used in the analysis is sufficient and appropriate for addressing the objectives and supporting the observations and conclusion. In accordance with *Generally Accepted Government Auditing Standards*, we are required to conclude on whether HR – Benefit Services met the objectives of this Follow-Up Audit. Based on our audit work, we have determined that HR – Benefit Services met the audit objectives in the following areas:

- Establishing a process to notify third party administrators of terminated employees and their dependents;
- Establishing a process for approving and coding disabled dependents;
- Obtaining required documentation for dependents enrolled for benefits;
- Removing benefit coverage if proof of dependent eligibility is not provided within required timeframes;
- Updating AX Files to reflect up to date benefit coverage information.

We wish to thank HR – Benefit Services management and staff for their assistance and courtesies extended during the completion of this Follow-Up Audit.

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