

Internal Audit Report

Cuyahoga County, Ohio
Department of Internal Auditing

Cuyahoga County Human Resources
Benefits Department – Fully Insured Plans
January 1, 2017 – July 31, 2017

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**CUYAHOGA COUNTY
DEPARTMENT OF INTERNAL AUDITING**

**INTERNAL AUDIT REPORT
Cuyahoga County Benefits Review – Fully Insured Plans
Cover Letter**

October 4, 2017

To: County Executive, Armond Budish; Chief Talent Officer, Douglas Dykes; and the current management of the Cuyahoga County Benefits Department within Human Resources:

Introduction

The Cuyahoga County Executive and Chief Talent Officer requested the Department of Internal Auditing's (DIA) services to review eligibility and contribution rates for the County's fully insured plans¹.

The request occurred at conclusion of the Benefits Audit – Phase II. That report is located on the Audit Committee's [website](#). Consequently, this engagement does not constitute an audit in accordance with Generally Accepted Government Auditing Standards (GAGAS) issued by the Comptroller General of the United States or the International Standards for the Professional Practice of Internal Auditing issued by the Institute of Internal Auditors (IIA), and therefore we do not express any conclusion or opinion.

Objectives, Procedures and Scope of Work

The Executive and Chief Talent Officer requested DIA's services on May 26, 2017. The procedures and objectives for this engagement were limited to:

- 1) Identifying and distributing a list of ineligible employees and dependents from fully insured plans. We obtained an eligibility file from each insurance provider between April and June 2017 and compared the list to County eligibility files.
- 2) Evaluating the accuracy of the County's fully insured plan contributions in 2017 based on open enrollment selections. We obtained the open enrollment file and recalculated employee deduction and employer contributions rates per pay period. The recalculated amounts were compared to the County's pay registers.

The files on the following page were among those pulled for Oswald Companies by the County's Information Technology Department (IT) and provided to DIA.

¹ Fully insured plans include dental, vision, life insurance and flexible savings accounts (medical and dependent care). For more information on these plans audited by DIA, see Benefits' reports on the Audit Committee's [website](#).

- **OE Files** – Open Enrollment Files for plan year 2017. These files contained employee selections for all benefit plans (i.e. dental, vision, life insurance, medical and flexible spending accounts (FSA)).
- **Provider Eligibility Files** – Eligibility files from dental, vision, life insurance and FSA providers. These files contained a list of eligible participants and their plans (i.e. family or single) as of the date the files were generated (between April and June 2017). These files reflected participants that could access benefits.
- **SAP² Files** – County’s master employee files, listing employment status, plan eligibility and contribution rates for dental, vision, life insurance and FSA accounts. These files should reconcile to Provider Eligibility Files.
- **Rate Table** – 2017 approved benefit rates received from the Benefits Department.
- **Deduction Registers** – Bi-weekly pay registers with actual employee deductions and employer contributions.

Background

The Benefits Department (Benefits) in Human Resources and Oswald Companies, the County’s benefits consultant, determine monthly premium rates for each insurance plan (medical, dental, etc.). Plan expenses factor into premium rates, such as administrative costs and plan premiums. A small percentage (10% for most plans) of the total premiums become the employee’s responsibility through payroll deductions, while the County contributes the remainder. Premium rates are communicated to County employees during open enrollment. Open enrollment is the period of time (normally in October or November) where County employees select or opt-out of insurance plans offered by the County for the subsequent plan year.

In 2016, Benefits utilized a third-party vendor to facilitate the open enrollment process. Each County employee was required to meet with a representative of the third-party vendor to enroll in 2017 insurance plans. Following open enrollment, plan selections are imported into the County’s benefits tracking system, SAP. Bi-weekly payroll deductions and County contributions derive from open enrollment results. Plan types and deduction amounts are updated and tracked in SAP.

During the plan year, Benefits is responsible for verifying eligibility for all County plan members. Each month, Benefits distributes an eligibility file to each provider. When employees are terminated or otherwise cease to be eligible, providers deactivate ineligible employees from receiving County benefits.

Summary of Results

DIA performed the above procedures from June through August 2017. The results are presented on the following pages.

² *Information system utilized by Benefits to track and store benefits and payroll data.*

1) ELIGIBILITY RESULTS

DIA reviewed and analyzed eligibility between SAP Files and Provider Eligibility Files to ensure ineligible employees and dependents were not active on fully insured plans as of the date the Provider Eligibility Files were generated (between April and June 2017). DIA analyzed employee eligibility for the dental, vision, and FSA plans by comparing employees listed in Provider Eligibility Files to County SAP Files. We performed the analysis to identify ineligible employees and dependents receiving benefits under any of these plans. The following table displays our results.

Plan	Total Members in Plan	Ineligible Members*	Annual Cost to County**
Dental	4,663	125	\$ 68,347
Vision	4,660	16	\$ 737
FSA	1,525	14	\$ 280
Total	10,848	155	\$ 69,364

**Members determined by DIA to be ineligible based on our testing. All members were confirmed and terminated by Benefits from their respective plans.*

***Annual Cost to County includes premiums paid to providers. The County does not pay individual claims on fully insured plans. These costs are not included in this total.*

The above ineligible employees were not timely terminated from their respective plans and continued to receive benefits. As a result, the County continued to pay monthly premiums. Benefits deactivated all ineligible members from our test results prior to release of this report.

2) ACCURACY OF EMPLOYEE DEDUCTIONS AND EMPLOYER CONTRIBUTIONS

DIA performed a review and analysis of employee deductions and employer contributions to ensure open enrollment selections were accurately reflected in deductions from employee paychecks, based on the plans selected, as of pay period (PP) ending April 15, 2017 (PP8). DIA obtained the necessary files from Oswald Companies and IT. We recalculated employee (EE) and employer (ER) per-pay contributions relative to each employee’s open enrollment selection. For each employee, DIA compared per pay period contributions to the County’s Deduction Registers for PP8.

Based on DIA’s recalculation of PP8 deductions, the selections of 12 out of 6,260 total County employees in the OE Files were not accurately reconciled to the Deduction Registers; meaning employee deductions appeared inaccurate when compared to the employees’ open enrollment plan selections. Results are noted in the table on the following page.

Plan	# EEs	Variance Range / PP	Financial Impact / PP*	2017 Financial Impact*
Life Insurance	6	\$ 0.28 → \$ 4.61	\$ 9	\$ 234
Selected Various Plans w/ No Deductions	6	\$ 1.21 → \$ 173.58	\$394	\$ 10,244
Total PP 8 Variance	12	\$ 0.28 → \$ 173.58	\$ 403	\$ 10,478

*Not enough deducted. Financial Impact is the amount the County did not collect from employees.

- Benefits is working with IT to resolve the life insurance variances.
- Of those who selected various plans but had no deductions from their pay, the County expects to collect retroactive payments from four employees by PP21. The remaining two need further research by Benefits.

In addition to EE deductions, ER (or County) contributions were not accurately calculated for 3 employees when comparing OE and SAP files to the Deduction Registers for PP8. Benefits is working to resolve these variances. This resulted in inaccurate County contributions. Results are noted in the table below.

Test	# EEs	Variance Range /PP	Financial Impact / PP*	2017 Financial Impact*
Net Variance - Overpaid	3	\$ -4.15 → \$ 215.21	\$ 215	\$ 5,590

*The County contributed too much to the insurance fund for plan expenses.

Disclaimer on Testing for Accuracy of Contributions

Although DIA performed the above procedures with the data provided, our results may not identify all errors and variances due to errors or inaccuracies in data received. We disclosed the following factors below:

- 1) **Unreliable OE File** –Initial testing between employee selections in the OE Files and actual deductions resulted in 1,695 variances (i.e., deductions did not agree with employee open enrollment selections for 1,695 employees). Many of these variances were data entry errors by the third-party vendor during the open enrollment process. After the November 2016 open enrollment, County employees notified Benefits of plan selection errors. Benefits made open enrollment corrections through May 2017 as employees became aware of these errors. Most of these changes were made in SAP. Consequently, the OE files we received were unreliable.

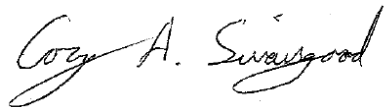
Following discussion with Benefits and IT, DIA staff met with Benefits staff to manually research each variance. The above results are correct and the number of actual variances was minimal. However, we could not identify all inaccurate employee deductions due to unreliable data in the open enrollment database. As of the report date, there is a potential more employees did not detect and communicate the error to Benefits. DIA could not identify all inaccuracies with the data received.

- 2) **Inaccurate Rate Table** – DIA received the plan Rate Table from Benefits with deduction rates approved by the County. We calculated employee deductions and employer contributions based on the Rate Table provided. DIA's results would not reflect all deduction discrepancies if the rate table was inaccurate. As of the report date, DIA does not have reason to believe the Rate Table provided was inaccurate.
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DIA communicated and distributed the results to Benefits and IT. Both departments worked with DIA to correct the issues noted above. Benefits is working on a corrective action plan for the upcoming open enrollment process to mitigate the risk of recurrence in 2018. If sufficient corrective action is not taken, a follow-up review may be necessary.

We would like to express our appreciation to the Benefits staff of Human Resources, IT staff and Oswald Companies for their assistance throughout this process. If you have any questions, comments, or concerns regarding the above please feel free to contact me.

Respectfully,

A handwritten signature in cursive script that reads "Cory A. Swaisgood".

Cory A. Swaisgood, CPA
Director of Internal Auditing

Cc: Audit Committee
Cuyahoga County Council
Sharon S. Jordan, Chief of Staff
Robert Triozzi, Law Director