

**POST AUDIT REPORT
HUMAN RESOURCES
HEALTH INSURANCE CLAIMS (CIGNA)
PAR 21-08**



WEST PALM BEACH

Internal Audit

September 30, 2021

**City of West Palm Beach
Internal Auditor's Office**

Beverly Mahaso Esq., CIA, CFE
Chief Internal Auditor

September 30, 2021

Audit Committee
City of West Palm Beach
401 Clematis Street
West Palm Beach, Florida

RE: POST AUDIT REPORT OF HUMAN RESOURCES HEALTH INSURANCE CLAIMS (CIGNA) (PAR 21-08)

Dear Audit Committee Members:

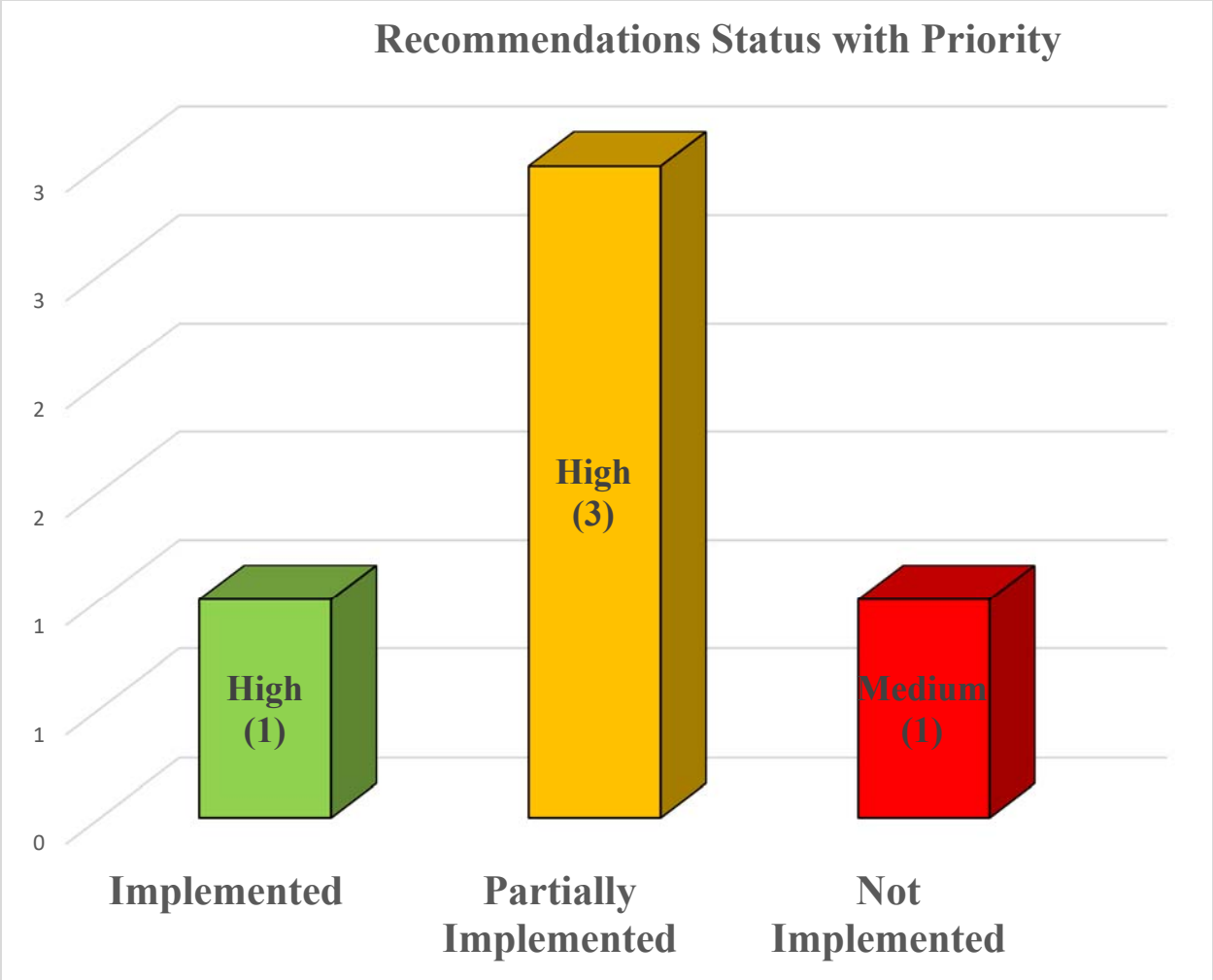
In FY2019, the Internal Auditor's Office released an audit of Health Insurance Claims (CIGNA) (AUD19-02) within the Human Resources Department. We performed certain procedures, as enumerated below, with respect to activities of the Health Insurance Claims division in order to render a conclusion on the status of the recommendations made as a result of that review.

This Post Audit Report (PAR) consisted primarily of inquiries of City personnel and examinations of various supporting documentation. It was substantially less in scope than an audit in accordance with generally accepted government auditing standards.

The evidence obtained provided a reasonable basis for our conclusions; however, had an audit been performed, other matters might have come to our attention that would have been reported to you and our conclusions may have been modified.

The audit contained five (5) recommendations that addressed the audit's findings. Based on the review performed, we concluded that one (1) recommendation was implemented, three (3) were partially implemented, and one (1) was not implemented.

We have enclosed a table listing all the recommendations with the current statuses. We found that management made significant efforts to take corrective action. Further, we note that the Human Resources Department is actively continuing to make improvements. As such, additional steps may have been taken to implement the recommendations after the conclusion of this Post Audit Review. We will conduct another Post Audit Review in approximately 6 to 12 months, resources permitting, at which time we will review all additional changes made after the conclusion of this Post Audit Review.



We thank the personnel from the Human Resources Department for their assistance in conducting this review and on continuing implementation efforts.

Respectfully Submitted,

s/ Beverly Mahaso
 Chief Internal Auditor

- cc:
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| Joseph Peduzzi, Commission President | Keith James, Mayor |
| Christina Lambert, Commissioner | Faye Johnson, City Administrator |
| Shalonda Warren, Commissioner | Jose-Luis Rodriguez, Chief H. R. Officer |
| Christy Fox, Commissioner | |
| Kelly Shoaf, Commissioner | |

Encl.

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HUMAN RESOURCES HEALTH INSURANCE CLAIMS (CIGNA)

- Legend**
- Implemented
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AUDIT RECOMMENDATIONS

No.	Auditor's Condition and Recommendation	Management's Initial Response	Auditor's Status Update
1 High Priority	<p>Condition: Although the City has some controls in place to ensure that benefits are paid only for eligible members, there is a risk that payment of benefits in error could occur when certain life events that impact eligibility are not reported timely. Under the City's plan, members are required to report life events, such as state residency status or student status changes of children ages 26 to 30, a divorce, or the end of a domestic partner relationship. The employee must log into BenTek within 30 days of the qualifying event to make the appropriate changes to the employee's coverage. Beyond 30 days, the employee may be responsible, both legally and financially, for any claim and/or expense incurred as a result of an employee or dependent who continues to be enrolled, but no longer meets eligibility requirements. Although periodic comparisons are done between the Payroll and the Health Benefits database, the City does not require employees to periodically attest to coverage of dependents but relies on the annual open enrollment process. In addition,</p>	<p>Management's Initial Response: HR agrees with the recommendation and will work with the BenTek solutions provider to assess if an electronic attestation form can be incorporated into the BenTek system so that an eligibility attestation form can be completed annually by all employees. The enrollment data will also be reconciled no less than annually, as part of the open enrollment process to ensure only eligible members are receiving health benefits under the City's plan.</p>	<p>AUDITOR'S STATUS UPDATE PARTIALLY IMPLEMENTED UPDATE AS OF SEPTEMBER 2021 Based on the review we conducted, we found that this recommendation was partially implemented. HR worked with Bentek Solutions to incorporate an electronic attestation form into the system so that the eligibility attestation can be completed annually by all employees when they log in during open enrollment. HR has also confirmed that they receive member eligibility data weekly and meet with CIGNA to discuss and resolve eligibility discrepancies. HR has not yet conducted periodic dependent verification audits, because these audits are typically performed every 3 to 5 years and they are within the timeframe to complete the audits. At our next follow up review, we will reassess this and provide an update. Target Implementation Date: FY22</p>

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	<p>the City does not conduct periodic dependent eligibility audits to ensure that employees are complying with City policy on dependents.</p> <p>Recommendation:</p> <p>a. HR should implement periodic dependent verification audits to identify any dependents no longer eligible for benefits due to status or relationship changes. Attestations should be required annually, with an appropriate response from HR if an employee fails to respond. Further, the attestation process should be automated.</p> <p>b. For further improvement, HR should consider periodic reconciliations of the City's member eligibility data with the member eligibility data maintained by Cigna. To accomplish this, HR could request a semi-annual member eligibility report from Cigna, and obtain from BenTek, a current master list of new hires, terminations, status changes, as well as the dates these changes occurred. The reconciliation of the two reports would help ensure that the City, through Cigna, is only paying for benefits of eligible members.</p>	
<p>2 High Priority</p>	<p>Condition: In the City's self-insured model, Cigna pays out claims on behalf of the City. Once the claims have been paid, Cigna requests lump sum payments</p>	<p>Management's Initial Response: HR and Finance agree with this recommendation. Steps have already been taken to begin identifying the reports in the portal</p>
<p>AUDITOR'S STATUS UPDATE PARTIALLY IMPLEMENTED UPDATE AS OF SEPTEMBER 2021 Based on the review we conducted, we found that this recommendation was</p>		

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	<p>from the City ranging anywhere from \$100,000 to over \$800,000 for claims paid on a weekly basis. However, historically the City has not been able to reconcile the requests for payments due to a perceived lack of supporting documentation. No corresponding claims information, such as a claim number and amount, to support the request for payment is provided. In our interviews of employees, we were advised that they made requests to obtain the supporting documentation and none was provided. However, the documentation needed to reconcile the payment request is available in Cigna's portal which is accessible only to necessary personnel due to the protected information stored therein. We reviewed the report available and found that it had sufficient information to support the payment request. That access has been assigned to one relatively new HR employee who has access to the portal, however, this employee is not tasked with, nor responsible for payment reconciliations.</p> <p>Recommendation</p> <p>a. HR and Finance should review the reports available through Cigna's portal to assist in reconciling the payment requests, as well as the City's general ledger to the banking records.</p>	<p>and information needed by both departments. Reconciliations will begin immediately while the departments review and assess the other reports in the portal. Performance guarantees will be considered as discussed in our response to finding 4.</p>	<p>partially implemented. HR worked with the Finance Department to review and assess the reports on the portal. However, additional work is still needed to perform reconciliations of the amounts requested for payment with the associated claims.</p> <p>Target Implementation Date: 01/31/2022</p>
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	<p>b. HR and Finance should identify the information needed on a regular basis and if the necessary reports are not already available in the portal, then they should consider requesting customized reports from Cigna that could help the City manage its claims.</p> <p>c. HR should include performance guarantees in future contracts with its third-party administrator as fully discussed in finding 4.</p>		
<p>3 Medium Priority</p>	<p>Condition The health care cost data currently available to senior management is not contained within a single report that is readily accessible. Comprehensive information is required so that management is able to make informed decisions regarding the overall cost effectiveness of the self-insured plan, identify areas of variations from anticipated costs, and potential areas for cost savings. The Gehring Group provides a monthly “Self-Insured Medical Claims Experience report”, based on information provided by Cigna. This report provides much of the medical, HRA, and pharmacy cost information, but does not include information related to a full cost calculation of the program such as the Employee Health Center.</p> <p>Recommendation The Human Resources Department, with input from the Finance</p>	<p>Management’s Initial Response: HR agrees with the recommendation and will work with the Finance Department to prepare a full cost report on the 2018-2019 plan year by December 2019.</p>	<p>AUDITOR’S STATUS UPDATE NOT IMPLEMENTED UPDATE AS OF SEPTEMBER 2021 Based on the review we conducted, we found that this recommendation was not implemented. HR indicated that they are currently working with Finance to clear this recommendation, however, it will take some time as this requires collaboration with Finance. Target Implementation Date: 01/31/2022</p>

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	<p>Department, should prepare and submit to senior City management an annual full-cost report of the health care cost. The report should be presented electronically in an easy-to read format and include claims, administrative fees (including stop loss premiums, capitation costs), costs incurred through the Employee Health Center budget, cost for the opt-out program and the HRA incentive.</p>		
<p>4 High Priority</p>	<p>Condition: Contractually, the City is permitted to conduct an audit of claims processed by Cigna. However, certain conditions in the contract or matters of practice, created challenges in reviewing claims. We requested certain claims processing results from Cigna, however, Cigna advised that the City's current contract does not have ongoing performance guarantees in place, thus the reports were not available for us. We requested samples of performance guarantees that Cigna could provide had they been negotiated in the contract. The current limitations in the City's contract with Cigna, create challenges for independent reviews as well as proper monitoring and administration of claims processed. We also acknowledge that Cigna is a large</p>	<p>Management's Initial Response: HR agrees with the recommendation and will work with the Gehring Group and Cigna during the next contract extension or RFP period on negotiating performance guarantees into a new contract.</p>	<p>AUDITOR'S STATUS UPDATE IMPLEMENTED UPDATE AS OF SEPTEMBER 2021 Based on the review we conducted, we found that this recommendation was implemented. HR worked with the Gehring Group and CIGNA on negotiating performance guarantees into the new contracts. HR amended the 2020 contract and those changes were incorporated in the new contract for 2021.</p>

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	<p>company likely dealing with many audits on a continuous basis and that there is a need to manage all the audits that their clients may request efficiently. However, considering that the City paid Cigna about \$843,000 during the audit period to manage the City's claims, it would be beneficial for the City to negotiate better terms</p> <p>Recommendation: HR should work with the Gehring group to enhance the services provided particularly as related to advising and assisting the City in negotiating provisions within Health care contracts. The Gehring group should, in conjunction with HR and other stakeholders, identify contractual provisions to incorporate in future contracts that would benefit the City and provide assurances that quality services are provided particularly from third party administrators. This should include performance guarantees as Cigna may be open to track and monitor its performance and provide those results to the City.</p>		
<p>5 High Priority</p>	<p>Condition Although the City's insurance benefits eligibility and claims administration processes include some internal controls necessary for the achievement of operational objectives, our assessment of best</p>	<p>Management's Initial Response: HR agrees with this recommendation. Our goal is to work with Cigna and provide annual SOC reports to City management. This coincides with the time when it is also provided to</p>	<p>AUDITOR'S STATUS UPDATE PARTIALLY IMPLEMENTED UPDATE AS OF SEPTEMBER 2021 Based on our review, we found that this recommendation was partially implemented. HR successfully negotiated performance guarantees into</p>

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	<p>practice controls resulted in a number of observations and recommendations designed to further strengthen the system of controls. We performed inquiries to identify and verify the design and implementation of key controls for benefits eligibility and claims administration. We then compared the internal control activities performed by the City to 12 commonly used internal controls, and noted any existing gaps between the best practice controls and the City's current state as follows:</p> <ul style="list-style-type: none"> • Seven controls did not have any gaps. • Two controls had gaps but have already been addressed through other report findings. • Three controls had gaps that have not been addressed in other report findings <p>These gaps include:</p> <ul style="list-style-type: none"> -Performance guarantees: The City's current service agreement with Cigna does not include a clause for performance guarantees. Cigna offers performance guarantees as an added service, and Cigna only issues performance information if performance guarantees are included in the service agreement. Without performance results, management is unable to assess Cigna's performance on a continuous basis. 	<p>the outside auditor. As mentioned in different findings, we will work on performance guarantees and developing procedures as described in the recommendation.</p>	<p>the contracts. In addition, policies and procedures were drafted and implemented. KPIs were also implemented and are being communicated to key decision makers. Finally, HR is receiving the SOC report. Additional work is needed to review the SOC report with the Committee and include IT in the meeting when the SOC report is being discussed.</p> <p>Target Implementation Date: 01/31/2022</p>
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	<p>-Service Organization Control (SOC) report: Although the City's Benefits Officer requested and obtained Cigna's SOC Report for the period ended September 30, 2018, management has not reviewed the report widely to determine whether the City's Complimentary User Entity Control Considerations (CUEC), as disclosed in the report, are adequate. Without a thorough review of the City's CUEC controls as itemized by CIGNA, the City is not aware of all the controls that the City should implement so that Cigna is able to achieve its control objectives as a service organization provider to the City.</p> <p>-Policies and Procedures: The City has not developed documented policies and procedures for activities such as enrollment for medical benefits, changing employee benefit status, and terminating employees from the medical plan.</p> <p>Recommendation HR Management should take measures to close the gaps between recommended practices and the current state as follows: a. Performance guarantees: Ensure that future service contract renewals include access to performance guarantee data. Management should use this data to guarantee the full and</p>	
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	<p>complete performance under the contract. Once this process is established, management should document the ownership of each of the performance guarantees and investigate variances when they occur.</p> <p>b. Service Organization Control: Establish a committee of HR, IT and Finance representatives to evaluate Cigna's Service Organization Control (SOC) report. Specifically, determine whether there are any Complimentary User Entity Controls (CUECs) that need to be implemented by the City. The review of the Cigna SOC report should be documented and a crosswalk of the CUEC's to the City's internal controls should be developed.</p> <p>c. Policies and Procedures: Develop policies and procedures such as those related to enrollment, changing benefits, and terminating employees.</p> <p>d. Key Performance Indicators: Work with the Gehring Group to develop key performance indicators that are deemed essential for the City's ability to plan and manage healthcare costs.</p>		
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