



*City of Albuquerque*  
**Office of Internal Audit**  
FOLLOW-UP OF THE  
HUMAN RESOURCES DEPARTMENT  
INSURANCE AND BENEFITS DIVISION  
AUDIT #08-110  
July 14, 2011

**INTRODUCTION**

The Office of Internal Audit (OIA) performed a follow-up of Audit No. 08-110, Human Resources Department (HRD) – Insurance and Benefits Division (IBD). The purpose of our follow-up is to report on the progress made by HRD-IBD management in addressing our findings and recommendations. Our follow-up procedures consist of the department providing the status of the recommendation.

Our follow-up is substantially less in scope than an audit. Our objective is to report on the status of corrective action in regards to our findings and recommendations.

We limited our scope to actions taken to address our audit recommendations from the date of our final report, April 16, 2009, through May 9, 2011.

**BACKGROUND INFORMATION**

HRD-IBD administers health, dental, vision, life and disability benefits and deferred compensation programs to City of Albuquerque (City) employees and other governmental entities.

The City has agreements with several inter-governmental agencies (IGAs) to provide administrative services for insurance benefits. Each government entity reimburses the City for these services. The IGAs consist of Bernalillo County, City of Belen, Cochiti Lake Township, Middle Rio Grande Conservancy District, Sandoval County, Southern Sandoval County

Arroyo Flood Control Authority, Town of Bernalillo, Town of Mountainair, Village of Bosque Farms, Village of Corrales, Village of Cuba, Village of Los Ranchos de Albuquerque, Village of San Ysidro, Village of Tijeras and Town of Edgewood. Revenues from IGAs are estimated to be \$115,000 for FY2011.

In FY2010, the number of total lives insured by City-provided medical coverage totaled 22,748.

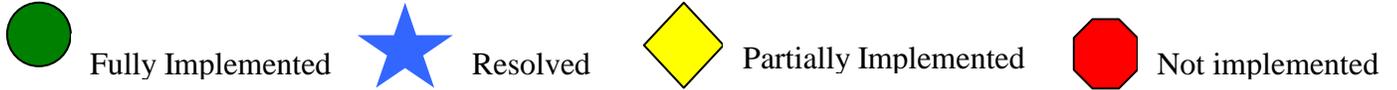
Currently, the City pays 80% of City employee health insurance costs, and the employee pays 20%.

City Personnel Rules and Regulations §403.6 requires employees in an unpaid or leave without pay (LWOP) status for one full pay period or longer to make arrangements for direct payment of their portion of insurance costs to the City.

**SUMMARY**

HRD-IBD has fully implemented all five of the recommendations noted in the initial audit. One new item, the separation of duties for the administration of the self-pay process, was noted during the follow-up and is discussed at the conclusion of Recommendation #1.

The status of the recommendations is identified by the symbols in the following legend:



**Recommendation #1** HRD-IBD should:

- Develop a process to ensure employees who are on leave without pay (LWOP) reimburse the City.
- Review all employees on LWOP during FY08 and request reimbursement of the insurance and benefit premiums paid on their behalf by the City.
- Set up receivable accounts for amounts owed to the City.

**Response:** HRD agreed with the finding. The IBD did not collect premiums for a portion of employees on LWOP status for FY2008 due to a lack of credible reporting. IBD worked on reports that could identify employees who have entered a “self-pay status”.

IBD would review related City policies to ensure policy language was in alignment with business processes. By the end of FY09, IBD would have formal written policy and procedures for “self-pay” submitted to the CAO for approval.



**Fully Implemented**

**Status Reported by HRD-IBD:** IBD has developed reports to identify employees that have entered into a “self-pay” situation. These reports are generated and reviewed bi-weekly to ensure employees are notified and required premiums are collected. IBD Standard Operating Procedures and notifications are in line with City of Albuquerque’s Personnel Rules and Regulations 402.5B, 403.6 & 403.7, as well as Administrative Instruction 7-38. IBD staff has conducted training with department HR Coordinators in reference to the policies and procedures of self pay situations.

As reporting and billing for Self Pay situations was not consistently applied in FY08, an Administrative decision was made not to bill employees because the Department made an error.

**Other Item Noted:** While conducting this follow-up it was noted that one individual currently generates the self-pay reports, prepares the self-pay letters, receives payments, allocates the payment to the proper insurance carrier and prepares the deposit for DFAS-Treasury. HRD-IBD reported that another employee does verify the deposit. Several of these duties were previously conducted by an administrative assistant; however, this position is now vacant. Proper separation of duties requires different individuals be responsible for the authorization of transactions, recordkeeping and custody of assets. OIA recommends these incompatible duties be separated. This could be accomplished by having another employee prepare the self pay letters. Another employee should open and log all payments that come in the mail. This log should then be compared to the amount of the deposit and the insurance carrier allocations.

**Recommendation #2** HRD-IBD should develop written policies to physically safeguard employee benefit files.

**Response:** HRD agreed with the finding and noted there needed to be a written policy and documented business process. IBD would schedule HIPAA awareness training on an annual basis in coordination with the City's contracted group health consultants. IBD would also review any and all related City personnel Rules and Regulations such as those mentioned in 301.16.



**Fully Implemented**

**Status Reported by HRD-IBD:** The Division's Standard Operating Procedures have been updated to include a section on *Protecting and Retaining Employee Benefit Files*. It covers the types of documents kept in the file and that a file will not be removed from the Insurance and Benefits Office without written permission from the Division Manager. The section also refers to staff being trained on handling confidential information and HIPAA compliance.

**Recommendation #3:** HRD-IBD should complete periodic audits of intergovernmental agencies as required by the IA agreements.

**Response:** HRD agreed with the finding. IBD had reinstated the process of physically visiting and auditing all participating entities to ensure compliance with the written agreements by both the City and the participating entity.

Audits of the 15 agencies would be conducted annually by the close of the fiscal year to ensure compliance with each agreement. Senior IBD staff would be responsible for the development, maintenance and administration of all inter-governmental agreements to ensure all units of IBD were aware of the contents and their responsibilities associated with these agreements.



**Fully Implemented**

**Status Reported by HRD-IBD:** Entity audits have been conducted annually since the finding. Audit checklists were created to ensure continuity and completeness of all 15 site visits each year. Issues covered include: compliance with carrier contracts and Internal Revenue Code (as it applies to salary reductions for benefits) carrier payment history, entity rules and regulations and testing entity staff on their standard business practices as they relate to benefits. Statistical reports of insurance experience are also provided to each entity.

**Recommendation #4:** HRD-IBD should ensure intergovernmental agencies' annual fees are billed and collected by the City in a timely manner.

**Response:** HRD agreed with the finding and stated the IBD was developing a process to monitor the administrative fees owed pursuant to its intergovernmental agreements to ensure annual fees were billed and collected in a timely manner. These policies and procedures would be submitted to the CAO for approval by the end of FY09.



**Fully Implemented**

**Status Reported by HRD-IBD:** IBD has developed Operating Procedures to ensure that intergovernmental agencies are billed in accordance to their contract. These invoices are reviewed after they are generated to insure proper billing some of which are invoiced quarterly and/or annually.

**Recommendation #5:** HRD-IBD should ensure personnel do not accept and/or forward premium payments received from the intergovernmental agencies.

**Response:** HRD agreed and stated that all staff members were instructed on the correct procedure in August 2008. IBD would review the process with employees on a regular basis to ensure staff was kept aware of current business practices. As policies and procedures for each area identified in findings 2 through 5 are finalized, the duties and responsibilities assigned to IBD staff would be incorporated into their PEG or EWP as appropriate.



**Fully Implemented**

**Status Reported by HRD-IBD:** HRD-IBD no longer accepts and/or forwards premium payments received from the intergovernmental agencies. Duties and responsibilities in Findings 1-5 have been incorporated in Performance Evaluation Guides (PEGs) of senior IBD team members.