

Health Benefit Plans Audit  
2002

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**OBJECTIVES:**

The objectives will be to verify that there are adequate controls in place to ensure that:

- 1) All eligible, but only eligible employees, dependents, and retirees receive the benefits for which they are enrolled.
- 2) All Plans are administered by XXXX in a cost-effective and efficient manner; and in accordance with Plan provisions, Company policies, and all applicable laws and regulations.
- 3) Data is kept confidential.
- 4) All cost are accounted for accurately and timely on the Payroll System and General Ledger.
- 5) All payments to benefit plan providers are paid accurately and timely and are in accordance with contracts, supported, authorized and accounted for on General Ledger.

**I. PLANNING**

**INIT.**

**W/P  
XREF.**

Obj.	To gain an understanding of the policies and procedures for administering health plans.	INIT.	W/P XREF.
1.	Obtain a copy of the master insurance contracts including all riders, and review the contracts to become familiar with their terms and conditions. a. Insur1 b. Insur2 c. Insur3 d. Insur4		
2.	Determine that an agreement exists between XXXX and each medical/dental plan outlining the cost of the plan and the services provided: a. Insur1 b. Insur2 c. Insur3 d. Insur4		
3.	Review the procedures for maintaining eligibility records for each medical/dental plan: a. Insur1 b. Insur2 c. Insur3 d. Insur4 e. COBRA		

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4.	Request Peoplesoft employee electronic file with health plan enrollments including dates of birth, effective dates of coverage, dependents ages and social security numbers..		
5.	Identify contact person and request electronic eligibility files of insured from: a. Insur1 b. Insur2 c. Insur3 d. Insur4		
6.	Identify any applicable federal and state laws and regulations related to health benefit administration. (e.g. Erisa)		
7.	Identify XXXX Policies and Procedures related to health benefit administration.		
8.	Verify that plans meet the criteria for tax-exempt status and all reports are filed on schedule with Tax Department.		
9.	Prepare a brief overview document of current health and dental plans to summarize cost and other key information.		
10.	Prepare Risk Analysis		

**II. ELIGIBILITY**

**INIT.**

**W/P  
XREF.**

<b>A.</b>	<b>All eligible, but only eligible employees, dependents, and retirees receive the benefits for which they are enrolled.</b>		
1.	After obtaining Peoplesoft employee electronic file noted in Planning Section, step #4, perform the following: a. Verify that the employee's benefit information, including dependents, is complete and has been properly entered into Peoplesoft by tracing to information on paper enrollment forms. b. Verify that proper supporting documents, where required, are on file. (e.g. dependents' birth certificates) c. Select a sample of employee enrollment change forms and verify that status changes were input into Peoplesoft accurately and timely. d. Verify that the employee is correctly categorized as either a management, bargaining unit or retired employee.		

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	<p>e. Verify that terminated employees' status is timely changed in Peoplesoft prior to their separation date.</p> <p>f. Verify that dependent social security numbers are obtained and correctly entered into system</p>		
2.	Compare health plan vendor eligibility files to Peoplesoft with ACL in order to identify any Plan participants who are not active employees, or who are listed in the wrong plan.		
3.	Compare health plan eligibility files to each other with ACL in order to identify any Plan participants who are enrolled in more than one Plan.		
4.	<p>Cross reference health plan vendor retiree eligibility files with Social Security Death Index in order to identify any deceased retirees still enrolled:</p> <p>a. test 100% of all retirees over 90 yrs old</p> <p>b. test sample (95% confidence rate) of all retirees between 75 yrs old and 89 years old.</p>		
5.	Verify that health care insurers are notified of enrollment, termination, retirement, student status, handicap status, or other changes in a timely manner by using ACL to compare health plan vendor eligibility files to Peoplesoft.		
6.	Determine what type of electronic feeds we supply to insurers. (e.g. only changes, or a completely updated file)		
7.	Test for dependent children between ages 19 – 25 (confirm age with contracts) for college certification by using ACL to compare health plan vendor eligibility files with Peoplesoft and paper records.		
8.	Search for dependent children over age 25 (confirm age with contracts) to confirm disability status by using ACL to compare health plan vendor eligibility files to Peoplesoft and paper records. .		
9.	Determine what eligibility reports are produced. Are these reports correct, useful, timely, reviewed, and acted upon.		

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**III. PLAN AND CONTRACT ADMINISTRATION**

**INIT.**

**W/P  
XREF.**

<b>A.</b>	<b>All Plans are administered by XXXX in a cost-effective and efficient manner; and in accordance with Plan provisions, Company policies, and all applicable laws and regulations.</b>		
1.	<p>Through interviews and discussions determine if the following administrative controls exist:</p> <ul style="list-style-type: none"> <li>a. Management objectives and goals (do written goals exist?)</li> <li>b. Organizational charts / duties &amp; responsibilities (are written duties and responsibilities stated in employee job descriptions?)</li> <li>c. Administrative policies and procedures (do written statements exist for each health plan?)</li> <li>d. Eligibility (does Benefit Department perform periodic reviews of eligibility?)</li> <li>e. Designing and revising health plans (are plans approved by senior management?)</li> <li>f. Establishing and maintaining records (are procedures aided by standard forms and instructions?)</li> <li>g. Accounting and budgeting (are budget vs. actual expenditures reviewed each month?)</li> <li>h. Reporting (what reports need to be filed with outside agencies?)</li> </ul>		
2.	<p>Determine if contract administration is properly controlled by performing the following:</p> <ul style="list-style-type: none"> <li>a. Determine what the process is for setting new premium rates.</li> <li>b. Compare Plans to industry standards.</li> <li>c. Determine if Plans are reviewed and approved by XXXX Legal Department.</li> <li>d. Determine if funding arrangements are reasonable.</li> <li>e. Determine if contracts are signed in compliance with XXXX's Authority and Signature Delegation Policy. (Is there any need for an exception to this Policy)</li> <li>f. Determine if contracts contain an adequate confidentiality clause.</li> <li>g. Determine if "YYYY Prescription" contract guarantees pass-on of Drug Company rebates from insurance company to XXXX.</li> <li>h. Determine if contracts require insurance company to conduct provider claim audits.</li> </ul>		

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3.	Obtain further information on dummy social security numbers that we provide to insurance companies at request of certain employees. a. Ask Legal Department what is XXXX's responsibility for requiring social security numbers.		
4.	Determine what reports for monitoring expenses are produced. Are these reports correct, useful, timely, reviewed, and acted upon.		

		INIT.	W/P XREF.
<b>B.</b>	<b>There are efficient and effective controls &amp; procedures over the administration of COBRA benefits.</b>		
1.	Determine who is responsible for the administration of COBRA.		
2.	Determine qualifying events and COBRA coverage periods.		
3.	Review the procedures for maintaining eligibility in the plan.		
4.	Verify the timely issuance of offer letters to eligible parties.		
5.	Ensure that employees are provided with information regarding COBRA benefits and determine that: a. If employee elected to receive COBRA benefits, the proper forms were completed and employee is receiving benefits b. If employee refused COBRA benefits, the proper forms were completed by the employee		
6.	Obtain a listing of COBRA participants and verify that premium billings are accurate, for the correct period of time and mailed on a timely basis.		
7.	Verify that the Benefits group maintains a detailed listing of receivables from COBRA participants and that receivables are monitored, aged and followed up on for collection and correctly accounted for.		
8.	Verify that COBRA coverage is discontinued if premiums are not paid.		
9.	Verify eligibility versus files from Plan Providers.		
10.	Determine what COBRA reports are produced and are they accurate, useful, timely, reviewed, and acted upon.		
11.	Identify any other major compliance requirements of COBRA and test as appropriate.		

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**IV. CONFIDENTIALITY OF DATA**

**INIT.**

**W/P  
XREF.**

<b>A.</b>		<b>INIT.</b>	<b>W/P XREF.</b>
<b>1.</b>	<p><b>To verify controls are adequate to ensure that data is kept confidential and protected.</b></p> <p>Verify that there are documented policies and procedures for the receipt, retention, and disposal of employee related benefit information.</p> <ul style="list-style-type: none"> <li>a. Determine if there is a need for employee names and claim amounts that we receive monthly from insurance companies.</li> </ul>		
<b>2.</b>	<p>Verify that Peoplesoft has adequate security controls to ensure that database and program access can be restricted to authorized personnel. Perform the following:</p> <ul style="list-style-type: none"> <li>a. Determine if adequate security profiles have been prepared.</li> <li>b. Determine who executes (grants, cancels, changes) system access. Are they proper (i.e. free of conflicting duties)</li> <li>c. Determine who authorizes access to the system. Are they proper.</li> <li>d. Identify all users of the system and the types of access they've been granted. Determine if their access is appropriately based on job duties.</li> <li>e. Identify all non-user support personnel who have access to the application or database. (NIS or IBM programmers, DBA's, etc.)</li> <li>f. Who has been granted super-user access. Is this access appropriately limited to only a few individuals.</li> <li>g. Does the system limit the amount of unsuccessful sign-on attempts.</li> <li>h. Determine if passwords are required. Are passwords required to be at least 6 characters.</li> <li>i. Determine if all system users are required to utilize screen savers (password protected) on their personal computers.</li> </ul>		
<b>3.</b>	<p>Verify that proper security monitoring procedures are in place so that security violations will be reported.</p> <ul style="list-style-type: none"> <li>a. Determine if security is being administered by HRIS or centralized under NIS Security &amp; Policy</li> </ul>		
<b>4.</b>	<p>Verify there is a contingency plan in place for responding to business interruption. Determine if system is being supported by IBM or in-house.</p>		
<b>5.</b>	<p>Verify that there is limited physical access to paper records</p>		

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	(employee related benefit information).		
6.	Verify that there is required security awareness training for all employees, agents, and contractors who have access to health information.		
7.	Determine what security reports are produced and are they accurate, useful, timely, reviewed, and acted upon.		

**V. PLAN EXPENSES**

**INIT.**

**W/P  
XREF.**

		INIT.	W/P XREF.
<b>A.</b>	<b>To determine if controls are adequate to ensure that all cost are accounted for accurately and timely on the Payroll System and General Ledger.</b>		
1.	Identify G/L accounts used to account for employee benefits activity		
2.	Verify sample of 3 months expenses for each Plan is recorded accurately by tracing invoice amounts to General Ledger detail and verifying: <ul style="list-style-type: none"> <li>a. accurate amount booked to proper General Ledger account</li> <li>b. booked in proper accounting month</li> </ul>		
3.	Verify total expenses are accurately reflected on General Ledger for the prior twelve months.		
4.	Select a sample of participants from each Plan and verify the proper amount is deducted from weekly paycheck by agreeing Benefit information with their payroll records.		
5.	Determine what financial reports are produced and are they accurate, useful, timely, reviewed, and acted upon.		

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**V. PLAN EXPENSES**

**INIT.**

**W/P  
XREF.**

<b>B.</b>	<b>To determine if controls are adequate to ensure that all payments to benefit plan providers are paid accurately and timely and are in accordance with contracts, supported, authorized and accounted for on the General Ledger.</b>		
1.	Run query in Passport Accounts Payable for 2001 – 2002 disbursements to Insur1, Insur2, Insur4 and Insur3. Select a sample of payments and determine if they were: <ul style="list-style-type: none"> <li>a. authorized according to XXXX Delegation of Authority.</li> <li>b. reviewed by someone who checks details, performs recalculations, and verifies and signs approval to pay.</li> <li>c. supported by appropriate detailed documentation.</li> <li>d. calculated accurately according to terms of contract</li> </ul>		
2.	For the most current month, account for the number of insured reported for each class of coverage by reference to payroll reports.		
3.	Determine what reports are produced and are they accurate, useful, timely, reviewed, and acted upon.		

**VI. OTHER**

**INIT.**

**W/P  
XREF.**

1.	What does State Street Bank do to verify retiree eligibility		
2.	Does State Street Bank perform regular test against SSN death index		
3.	When retirees reach age 65, does XXXX send a letter notifying them to enroll on Medex.		
4.	Average cost / employee for 2000 & 2001		
5.	2002 Budget		
6.	Total participants in Plans		
7.	Retirement Plan expenses		
8.			
9.			
10.			
11.			