

**Internal Audit
TPA (Third Party Administrator) Medical Claims Audit
For Plan Year 2001**

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Program Step	Audit Area	Sign off	WP Ref
A.	Administration		
A-1	Document opening meeting outlining high level scope and objectives.		
A-2	Based upon analysis of planning section below, identify the timing, scope, and objectives of the audit and document in a planning memo		
A-3	Obtain a preliminary understanding of the accounting and related internal processes for medical claims.		
A-4	Prepare a listing of requested items.		
A-5	Identify key contacts with titles and phone numbers for audit.		
A-6	Obtain an understanding of the roles & responsibilities of TPA as the third party administrator for medical benefit claims for the company. Review Summary Plan Descriptions and, generated reports to the employer, employer generated reports to others.		
A-7	Review the following agreements: <ul style="list-style-type: none"> • TPA • Network Providers • Prescription Drug • Stop loss insurance. 		
A-8	Perform a risk assessment to clarify scope of audit. Based on work performed, develop questions for items marked “inquires as to provider controls. Document results of these inquires as appropriate at step C-5.		
A-9	Based on work performed, develop an audit program.		
B	Data Analysis		
B-1	Obtain check registers for 2001. These text files have RPT file extensions. The Reporter software package from TPA is required to view these reports.		
B-2	Obtain an understanding of the report classifications on the monthly check register report. Identify the nature and type of each transaction group: <ul style="list-style-type: none"> • Checks • Checks with multiple participants/dates of service to one payee • Voids • Stop Pays • Refund adjustments • Prescription Drug payments Reversals • Other non-health checks Document this understanding in a memo.		
B-3	Prepare a summary of monthly totals by report classifications from the grand total page of the check register.		

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	a) Identify unusual items. b) Request explanations of unusual items from TPA.		
B-4	Prepare a summary of amounts by Cost Center by month also from the monthly check registers. a) Compare with Monthly Summary (created in step B-2) b) Identify variances. c) Obtain an explanation as to the cause and nature of difference from TPA.		
B-5	To perform data analysis of individual details from the month check register (RPT files) from TPA, create an Access Database. Document method of data extraction for creation of Access tables.		
B-6	As a test of report summarization, validate that detailed transactions imported agree to totals from TPA Management Reports. Obtain an explanation for any differences, if any.		
B-7	After the validity of the data has been confirmed in step B-6, perform the data analysis to obtain a better understanding of the population of payments within the Check Register. Use Access or design an ACL structure as appropriate. Document the file layout of records used for the tests below.		
B-8	In order to test that checks issued were to validate participants, compare the Participant's First and Last Name to the Participant Census file provided by TPA. Investigate variances through the EOB file for dates of service outside of 2001.		
B-9	In order to relate the check register data back to supporting EOBs, perform a test to agree the check number and amount from these two files. Divide this test into separate populations for 1) items with a single EOB and 2) items with multiple EOBs and/or dates of service.		
B-10	On check register data, perform an analysis of most frequent amount and frequent refund amounts.		
B-11	Based on work performed, determine other data analysis tests to perform as appropriate.		
B-12	Based on results of above, determine a sample of claims for detailed testing at C.		
C.	Site Visit to TPA Claims Processing Office		
C-1	Prior to scheduling of site visit to the TPA office, select a sample of claims. Request supporting copies of Explanation of Benefits (EOBs), Network Re-pricing Sheets (if applicable) and claim form. Provide this listing to TPA accumulate this documentation prior to arrival on site.		
C-2	Request a walk through of the claims process.		
C-3	Obtain an understanding of the paper flow including storage, retention and destruction of claims documentation.		
C-4	Based on sample selected in C-1, review each the supporting documentation for each claim. Perform the following a) Confirm the following attributes: <ul style="list-style-type: none"> • Eligibility of Participant 		

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	<ul style="list-style-type: none"> • If claim is for a dependent, if meet with rules (e.g. age limit) • If participant has other coverage, has Coordination of Benefits, COB, been applied • % paid is appropriate for the level of coverage b) Recalculate amounts payable, if any and agree to EOB. c) Supporting documentation agrees to reported results.		
C-5	Based on areas identified during the risk analysis at A-8 , complete the questions developed for areas marked “inquires as to provider controls.		
C-6	In order to test if terminated employees who have not elected COBRA have continued to receive benefits, design a test of COBRA Administration performed by TPA.		
C-7	Inquire about hospital bill audit process.		
C-8	Inquire about claims referred to the stop-loss carrier.		
C-9	Inquire about claims being pursued under subrogation.		
R.	Reporting		
R-1	Discuss all findings with TPA staff on an ongoing basis.		
R-2	Document findings (use Potential Audit Comment, PAC , form throughout the audit) <ul style="list-style-type: none"> • Draw conclusions. • Make recommendations. • Evaluate risk and assign ranking based on Audit Ranking System. 		
R-3	Draft report. Provide copy of TPA related findings to TPA in advance of sharing with company management.		
R-4	Conduct a closing meeting.		