

T. Bert Fletcher, CPA, CGMA
City Auditor

HIGHLIGHTS

Highlights of City Auditor Report #1501, a report to the City Commission and City management

WHY THIS AUDIT WAS CONDUCTED

The City of Tallahassee provides as a benefit to its employees the ability to participate in a group health insurance plan (plan). Under the plan, the employee may elect to participate as an individual and may also elect to include coverage of qualifying dependents, such as a spouse, domestic partner, and children. Similar benefits are available to retirees.

Premiums due under the plan are paid in part by the employee or retiree (subscriber) and in part by the City. For the City's part, it spent \$23,734,000 on healthcare costs during fiscal year (FY) 2013.

Errors in the determination of the eligibility status of dependents can result in the overpayment of premium contributions. Moreover, employers in some instances may be held liable for the claim payments made on behalf of any ineligible individual.

We conducted this audit in order to determine what controls the City has in place to address the risk that its health plan participants may include ineligible dependents.

WHAT WE RECOMMENDED

To better ensure only those individuals qualified as health plan dependents are enrolled as plan dependents, we recommended the City enhance the related controls. In doing so, the City should consider the costs and benefits of the following potential control enhancements:

- Upon enrollment, as is already done for qualifying events, the City require subscribers provide documentation demonstrating dependent eligibility for participation in the City's health care plan. Copies of this documentation should be appropriately secured in the City's electronic document management system (EDMS).
- The City periodically select a sample of subscribers and verify dependent eligibility by reference to records on file and to records supplied by the selected employees.

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October 1, 2014

AUDIT OF HEALTH PLAN ELIBIGILITY CONTROLS FOR DEPENDENTS

Overall, our audit tests indicated the dependents covered under the City's health insurance plan were eligible for the coverage received. Opportunities to enhance related City controls were identified and provided for management consideration.

WHAT WE CONCLUDED

The City effectively communicated to subscribers their responsibilities relating to health plan dependents and relied upon the subscribers to provide accurate and complete information relative to dependent eligibility and to timely self-report changes in dependent eligibility. As a by-product of this approach, the City generally did not require subscribers to submit for review documentation demonstrating dependent eligibility and did not take steps to monitor the continuing eligibility of dependents. City staff indicated that the insurers [Capital Health Plan (CHP) and Florida Blue] do take some steps to verify and monitor eligibility. During interviews, insurer staff identified certain verification and monitoring procedures that CHP routinely performs for CHP business purposes, although insurer staff indicated that the insurers were relying on the City to verify and document eligibility.

As part of our audit, we performed tests of the eligibility of selected dependent participants. In June 2014, we requested from each of 60 randomly selected health plan subscribers, documentation showing the eligibility of their respective health plan dependents, and we used the information provided to verify dependent eligibility. Our evaluation of the supplied documentation disclosed one instance in which a covered dependent was determined to be ineligible. In this instance, the subscriber indicated to us he thought the dependent, the former spouse of the subscriber, had been removed when the divorce occurred in December 2013. Following the subscriber's response to our inquiry in June 2014, the subscriber did immediately have the former spouse removed as a plan dependent.

While, overall, our audit tests indicated the dependents covered under the City's health insurance plan were eligible for the coverage received, we did identify for management consideration some potential control enhancements relating to dependent eligibility verifications and monitoring.

We would like to thank and acknowledge the full and complete cooperation and support of all employees, retirees, and City departments during this audit, especially Human Resources, Retirement, and the City Attorney's Office. We would also like to thank and acknowledge the assistance and support of staff of CHP and Florida Blue.

Audit Report



T. Bert Fletcher, CPA, CGMA
City Auditor

Audit of Health Plan Eligibility Controls for Dependents

Report #1501

October 1, 2014

Executive Summary

Overall, our audit tests indicated the dependents covered under the City's health insurance plan were eligible for the coverage received. Opportunities to enhance related City controls were identified and provided for management consideration.

The City of Tallahassee provides as a benefit to its employees the ability to participate in a group health insurance plan (plan). Under the plan, the employee may elect to participate as an individual and may also elect to include coverage of qualifying dependents, such as a spouse, domestic partner, and children. Similar benefits are available to retirees.

Premiums due under the plan are paid in part by the employee or retiree (subscriber) and in part by the City. For the City's part, it spent \$23,734,000 on healthcare costs during fiscal year (FY) 2013.

Errors in the determination of the eligibility status of dependents can result in the overpayment of premium contributions. Moreover, employers in some instances may be held liable for the claim payments made on behalf of any ineligible individual.

We conducted this audit in order to determine what controls the City has in place to address the risk that its health plan participants may include ineligible dependents.

Accordingly, the purpose of our audit was to determine answers to the following four

questions:

- 1) What controls are available to employers to provide reasonable assurance enrolled subscriber dependents meet the employer health plan's established eligibility requirements?
- 2) What controls are employed by the City?
- 3) Is there evidence ineligible dependents are enrolled as participants in the City's health insurance plan?
- 4) What enhancements to the City's controls are recommended?

Audit Results

Question No. 1. Our audit identified several controls that may be employed to provide reasonable assurance of health plan dependent eligibility, including:

- **Dependent Eligibility Records and Verifications.** While some employers utilize a "self-reporting" process in which subscriber assertions as to dependent eligibility are relied upon by the employer without review of documentation and verification, we found others require subscribers provide documentation demonstrating dependent eligibility at the time the dependent is added to the plan. The employer then utilizes the documentation to verify the dependent is eligible.
- **Monitoring.** Some large, self-insured employers periodically engage a contractor to conduct an audit to determine the

eligibility of those individuals included as subscriber dependents.

An employer may also periodically select a sample of health plan participant accounts and test for those accounts the extent to which the participants meet the health plan’s eligibility requirements.

Further, employers may also utilize vital statistic records in order to identify qualifying events (recent deaths and divorces) that may impact an individual’s continuing status as a subscriber’s dependent, and that have not been reported by the employee.

- **Communication.** Many employers publish reminders concerning health plan eligibility requirements and subscriber responsibilities for the eligibility of dependents.

Question No. 2. The City effectively communicated to subscribers their responsibilities relating to health plan dependents and relied upon the subscribers to provide accurate and complete information relative to dependent eligibility and to timely self-report changes in dependent eligibility. As a by-product of this approach, the City generally did not require subscribers to submit for review documentation demonstrating dependent eligibility and did not take steps to monitor the continuing eligibility of dependents. City staff indicated that the insurers [Capital Health Plan (CHP) and Florida Blue] do take some steps to verify and monitor eligibility. During interviews, insurer staff identified certain verification and monitoring procedures that CHP routinely performs for CHP business purposes, although insurer staff indicated that the insurers were relying on the City to verify and document eligibility.

Question No. 3. In June 2014, we requested from each of 60 randomly selected health plan subscribers, documentation showing the eligibility of their respective health plan dependents, and we used the information provided to verify dependent eligibility. Our

evaluation of the supplied documentation disclosed one instance in which a covered dependent was determined to be ineligible. In this instance, the subscriber indicated to us he thought the dependent, the former spouse of the subscriber, had been removed when the divorce occurred. Following the subscriber’s response to our inquiry in June 2014, the subscriber did immediately have the former spouse removed as a plan dependent.

Question No. 4. To better ensure only those individuals qualified as health plan dependents are enrolled as plan dependents, we recommend the City enhance the related controls. In doing so, the City should consider the costs and benefits of the following potential control enhancements:

- Upon enrollment, as is already done for qualifying events, the City require subscribers provide documentation demonstrating dependent eligibility for participation in the City’s health care plan. Copies of this documentation should be appropriately secured in the City’s electronic document management system (EDMS).
- The City periodically select a sample of subscribers and verify dependent eligibility by reference to records on file and to records supplied by the selected employees.

We would like to thank and acknowledge the full and complete cooperation and support of all employees, retirees, and City departments during this audit, especially Human Resources, Retirement, and the City Attorney’s Office. We would also like to thank and acknowledge the assistance and support of staff of CHP and Florida Blue.

Why did we do this audit?

The City of Tallahassee provides as a benefit to its employees the ability to participate in a group health insurance plan (plan). Under the plan, the employee may elect to participate as an

individual and may also elect to include coverage of qualifying dependents, such as a spouse, domestic partner, and children. Similar benefits are available to retirees.

Premiums due under the plan are paid in part by the employee or retiree (subscriber) and in part by the City. For the City's part, it spent \$23,734,000 on healthcare costs during fiscal year (FY) 2013.

Errors in the determination of the eligibility status of dependents can result in the overpayment of premium contributions. Moreover, employers in some instances may be held liable for the claim payments made on behalf of any ineligible individual.

We conducted this audit in order to determine what controls the City has in place to address the risk that its health plan participants may include ineligible dependents.

***Scope, Objectives,
and Methodology***

The purpose of our audit was to determine answers to the following four questions:

- 1) What controls are available to employers to provide reasonable assurance that health plan subscriber dependents meet the plan's established eligibility requirements?
- 2) What controls are employed by the City?
- 3) Is there evidence that ineligible dependents are enrolled as participants in the City's health insurance plan?
- 4) What enhancements to the City's controls are recommended?

To facilitate the accomplishment of our audit, we completed the following survey work:

- We reviewed relevant State laws and local ordinances pertaining to the City's group health insurance plan.
- We reviewed the City contract with Capital Health Plan (CHP) to provide health

insurance options for the City's employees and retirees and their eligible dependents. We focused our review of the contract on provisions governing dependent eligibility, responsibilities for the documentation and verification thereof, and legal liability in the event that the claims of an ineligible participant are paid.

- We met with applicable staff from Human Resources (HR) and Retirement Services (Retirement) as necessary, interviewed staff of CHP and Florida Blue and examined relevant City data and records made available for our examination.

In order to identify the preventive and detective controls available to employers for the purpose of providing reasonable assurance of dependent eligibility:

- We reviewed literature and reports prepared by consultants, auditors, and others relative to health care dependent eligibility errors and controls. These reports addressed the experiences of both private and government employers in other states.
- We surveyed six Florida governments, one county, plus five Florida cities with populations similar to the City of Tallahassee, to determine what steps, if any, those governments take to determine whether covered dependents are eligible for dependent healthcare coverage.

To determine the controls and related records employed by the City of Tallahassee:

- We reviewed related policies and procedures of HR and Retirement, with a focus on those that may prevent or detect errors in health plan dependent eligibility.
- We obtained an understanding of related records, which included applicable City personnel and retirement data, annual open enrollment materials and forms, and other plan-related materials.

- To establish the reliability of the City health plan data utilized during our audit, we reconciled participant records obtained from CHP and Florida Blue to related City records.
- We interviewed applicable staff from HR, Retirement, CHP, and Florida Blue.

To determine whether ineligible dependents were enrolled as participants in the City's health insurance plan and encourage the timely correction of any such errors:

- Beginning in the fall of 2013, with the concurrence of City management and as a precursor to the audit, multiple notices were provided during the 2014 open enrollment period to remind employees and retirees of the eligibility requirements for dependents included in the City's plan and to alert employees and retirees that an audit of the City's compliance therewith was forthcoming. This notice was provided to allow employees and retirees to review any dependents participating in the plan, ensure their continuing eligibility or remove them from the plan, and locate, as necessary, documentation supporting dependent eligibility, such as, for example, birth certificates for participating dependent children of the employee or retiree.
- We randomly selected 60 health plan subscribers with dependents and verified the health plan eligibility of each by examining City employment and retirement records. Further, in June 2014, we requested from the 60 randomly selected subscribers documentation showing the eligibility of their health plan dependents, and we used the information provided to verify dependent eligibility. For example, for covered dependent children and grandchildren, we utilized the supplied copies of birth certificates. For covered spouses, we utilized either a copy of the most recent tax return or, in lieu of the tax return, a Marriage Affidavit. The Marriage

Affidavit, created by the City Auditor's Office, with guidance from the City Attorney's Office, required both the selected City employee or retiree and the spouse to sign the affidavit declaring they are legally married to each other and obtain notarization of both of their signatures.

The scope of this audit included health insurance plan coverage only. We did not include within the audit's scope other health-related coverages, such as, for example, dental or vision insurance.

We conducted this audit in accordance with the International Standards for the Professional Practice of Internal Auditing and Generally Accepted Government Auditing Standards. Those standards require we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

Background

Section 112.08, Florida Statutes, authorizes governments, including municipalities, to provide and pay out of its available funds all or a part of the premium for health insurance for the government's officers, employees, and their dependents and to enter into contracts with insurance companies or professional administrators to provide such insurance. Section 112.0801, Florida Statutes, requires retirees of the government and their dependents be allowed to continue to participate in the group health plan after an officer or employee's retirement.

Under this authority, the City provides health insurance options for the City's employees and retirees and their eligible dependents through a contract with CHP, an affiliate of Blue Cross and Blue Shield of Florida d/b/a Florida Blue. Florida Blue also provides coverage

options for City employees, retirees, and dependents.

The City spent \$23,734,000 on healthcare costs during FY 2013, and based on the expenses of the first six months of the fiscal year, the City is projected to spend approximately the same amount in FY 2014.

Overall, during the five fiscal year period FY 2009 to FY 2013, the City's healthcare costs increased from \$23,404,000 to \$23,734,000, a \$330,000 (1.4%) increase. More specifically, from FY 2009 to FY 2010, the healthcare costs increased approximately \$2,000, while from FY 2010 to FY 2011 the City saw a decrease of \$1,467,000. The following two fiscal years saw an annual increase of \$861,000 and \$934,000 respectively.

Plan eligibility requirements established in the 2013 calendar year contract include the following:

- Subscribers, including:
 - Employees classified as a permanent employee working at least 20 hours a week.
 - Former employees who were vested and eligible for retirement benefits upon leaving City employment.
- Dependents of subscribers, including:
 - A spouse.
 - A domestic partner.
 - Children up to the age of 30 (includes natural children, step-children, foster children, or any child for whom the

employee or retiree has been appointed legal guardian). Under Florida law, to be eligible for coverage, non-disabled children between the ages of 26 and 30 must be:

- Unmarried and without a dependent.
 - A Florida resident or a full-time or part-time student.
 - Not enrolled in any other health coverage policy or plan.
 - Not entitled to benefits under Title XVIII of the Social Security Act.
- Permanently disabled children of any age.
 - Grandchildren up to 18 months of age. For any grandchild that is covered, one of the grandchild's parents must be an eligible child dependent already covered under the City's health insurance plan through a City employee or retiree at the time of the grandchild's birth.

As of the beginning of the 2014 calendar year, according to CHP, Florida Blue, and City records, the City had 6,829 subscribers (employees and retirees) and dependents (participants) enrolled in health insurance under its group insurance plan. This included 3,288 subscribers and 3,541 dependents. A total of 6,494 (95%) were enrolled with CHP, and 335 (5%) were enrolled with Florida Blue.

The City offers several different coverage types and pays a portion of the monthly healthcare costs for both employees and retirees based on the coverage type, as shown in the following tables showing the premium amounts for the 2014 calendar year.

Table 1
CHP and Florida Blue Healthcare Monthly Premiums for Active Employees

	Employee	City	Total	Employee %	City %
Employee Only	\$103	\$411	\$514	20%	80%
Employee + 1	\$282	\$763	\$1,045	27%	73%
Family (Note 1)	\$525	\$893	\$1,418	37%	63%

- (1) Family coverage includes subscriber plus two or more dependents.
- (2) Premium amounts have been rounded to the nearest whole dollar.

Table 2
CHP and Florida Blue Healthcare Monthly Premiums for Retirees

	Retiree	City	Total	Retiree %	City %
Retiree Only	\$339	\$175	\$514	66%	34%
Retiree + 1 (no Medicare)	\$729	\$316	\$1,045	70%	30%
Family (no Medicare) (Note 1)	\$974	\$443	\$1,417	69%	31%
CHP Medicare					
Retiree on Medicare	\$198	\$38	\$236	84%	16%
Retiree + 1 (1 on Medicare)	\$538	\$183	\$721	75%	25%
Retiree + 1 (Both on Medicare)	\$400	\$72	\$472	85%	15%
Family (1 or 2 on Medicare) (Note 1)	\$834	\$299	\$1,133	74%	26%
Florida Blue Medicare					
Retiree on Medicare	\$379	\$160	\$539	70%	30%
Retiree + 1 (1 or 2 on Medicare)	\$797	\$336	\$1,133	70%	30%
Family (1 or 2 on Medicare) (Note 1)	\$1,099	\$463	\$1,562	70%	30%

- (1) Family coverage includes subscriber plus two or more dependents.
- (2) Premium amounts have been rounded to the nearest whole dollar.

Audit Results

Question No. 1. What controls are available to employers to provide reasonable assurance health plan subscriber dependents meet the plan’s established eligibility requirements?

Our audit survey work identified several controls that may be employed to provide

assurance of health plan dependent eligibility, including:

- **Dependent Eligibility Records and Verifications.** While some employers utilize a “self-reporting” process in which subscriber assertions as to dependent eligibility are relied upon by the employer without review of documentation and verification, we found others require subscribers provide documentation

demonstrating dependent eligibility at the time the dependent is added to the plan, whether that be during an open enrollment period or as a result of a qualifying event, such as a divorce or the birth or adoption of a child. Under such a requirement, for example, the subscriber may be required to provide a birth certificate for a child or grandchild dependent. The employer is then responsible for examining the documentation, verifying that the dependent is eligible, and maintaining the records showing eligibility.

- **Monitoring.** Some large, self-insured employers periodically engage a contractor to conduct an audit to determine the eligibility of those individuals included as subscriber dependents.

Alternatively, an employer may also periodically select a sample of health plan participant accounts and test for those accounts the extent to which the participants meet the health plan’s eligibility requirements.

Further, employers may also utilize vital statistic records in order to identify qualifying events (recent deaths and divorces) that may impact an individual’s continuing status as a subscriber’s dependent and that have not been reported by the employee.

- **Communication.** Many employers publish reminders concerning plan eligibility requirements, subscriber responsibility for including as dependents only those who meet the eligibility requirements, as well as subscriber responsibility for promptly notifying the employer should a dependent no longer be eligible. We noted some employers also sometimes offer amnesty periods during which corrections in dependent eligibility can be made without penalty.

In considering whether controls should be applied, employer management is responsible

for deciding upon an acceptable level of risk and then implementing the controls commensurate with that determination. In determining which controls to employ, management should consider the cost of the control in comparison to its expected benefit, as well as the reasonableness of any cost to the employee.

Question No. 2. What controls are employed by the City?

As a part of our audit, we reviewed the controls in place at the City. To facilitate our review, we compared the City’s controls to those control options described in the preceding paragraphs. The results of this comparison are described below.

Dependent Eligibility Records and Verifications. At the time of initial enrollment in the plan and for changes made by subscribers during open enrollment periods, the City has elected to rely upon the assertions made by subscribers (a self-reporting process) and has not required that they provide for review documentation demonstrating dependent eligibility. The City does, however, obtain documentation for changes made as a result of a qualifying event and when it is otherwise requested to do so by CHP or Florida Blue. City staff indicated CHP and Florida Blue do take some steps to verify whether dependents are eligible.

During the audit, we interviewed representatives from both CHP and Florida Blue to discuss what steps, if any, the two insurers take to ensure the dependents are eligible and document that eligibility. When we spoke with CHP staff, they said the City is responsible for verifying dependent eligibility; however, they said it is the individual member (City employee or retiree) who is ultimately responsible for ensuring only eligible dependents are enrolled as a dependent.

CHP staff also indicated that in connection with CHP business purposes, they do take several steps that serve to prevent or detect the enrollment of ineligible dependents, including

the review of CHP records to see if City subscribers or dependents had been previously covered under another CHP group plan and, if so, whether the previously reported relationship between the subscriber and dependent is consistent with that now reported under the City's health plan.

Florida Blue staff, on the other hand, stated they were not taking any steps to verify dependent eligibility and that Florida Blue considered eligibility determinations to be the City's responsibility. However, in some cases, such as when the name of the participant in the City's records does not match the name of the participant in Florida Blue's records, Florida Blue staff indicated clarifying documentation may be requested.

We found both CHP and Florida Blue were expecting and relying on the City to verify eligibility of Plan dependents, whereas the City in utilizing a self-reporting process did not verify eligibility. The confusion over who is responsible may be attributed, at least in part, to the insurance contract between CHP and the City. The contract is silent on whose responsibility it is to maintain eligibility records and conduct proper verification checks to prevent and detect the enrollment of ineligible dependents. Notwithstanding the absence of specific contract language regarding responsibility for dependent eligibility, the contract does indicate the City may have some degree of liability, together with the subscriber and ineligible dependent, for claims paid for an ineligible dependent. Based on the contract (Group Master Policy), the City may be "liable to CHP for any claim payments made by CHP on behalf of any individual who was not eligible for coverage at the time the service or supply was rendered."

Monitoring. To date, the City has not elected to obtain an audit to verify the eligibility of those individuals included as Plan dependents or conduct its own tests of health plan participant eligibility. City staff indicated consideration had been given to obtaining an audit of dependent

eligibility, but preliminary estimates of the costs of such an audit were found to be too high.

As indicated below under Question No. 3, we did conduct limited tests of dependent eligibility records which disclosed an ineligible dependent participant.

Further, the City relied upon subscribers to timely self-report changes in dependent eligibility and did not monitor vital statistics records in order to identify qualifying unreported events (recent deaths and divorces) that may impact a participant's continuing status as a dependent. As similarly noted under the preceding subheading, City staff indicated CHP and Florida Blue performed some procedures to detect unreported changes in dependent eligibility. Also, as similarly noted above, CHP and Florida Blue staff indicated that it was the City's responsibility to determine eligibility.

When interviewed, CHP staff indicated for CHP business purposes, they performed procedures that may detect events that would make a dependent no longer eligible. Those steps included reviewing:

- Public record searches through the Florida Bureau of Vital Statistics for counties in CHP's coverage area. These searches reveal marriages, divorces, births, and deaths.
- Obituaries in the newspapers in the CHP coverage area.

Communication. The steps taken by the City to communicate to subscribers plan eligibility requirements for dependents and related subscriber responsibilities were sufficient and appropriate. For new employees, and each year during open enrollment, the City includes within enrollment materials clear and conspicuously-placed information concerning health plan eligibility requirements applicable to dependents and subscriber responsibilities for reporting changes in dependent eligibility.

Question No. 3. Is there evidence ineligible dependents are enrolled as participants in the City's health insurance plan?

As a part of our audit, we identified those subscribers who had enrolled dependents as City health plan participants. From this data, we randomly selected 60 health plan subscribers (45 employees and 15 retirees). A total of 58 of those selected had chosen the CHP coverage option, while 2 had chosen Florida Blue. A total of 129 dependents had been enrolled by the selected subscribers.

By examining City employment and retirement records, we verified the health plan eligibility of each of the 60 randomly selected health plan subscribers. Further, in June 2014, we requested from each of the 60 subscribers documentation showing the eligibility of their health plan dependents, and we used the information provided to verify dependent eligibility. For example, for covered dependent children and grandchildren, we requested and utilized the supplied copies of birth certificates. For covered spouses, we utilized either a copy of the most recent tax return or, in lieu of the tax return, a Marriage Affidavit. The Marriage Affidavit, created by the City Auditor's Office, with guidance from the City Attorney's Office, required both the selected City employee or retiree and the spouse to sign the affidavit declaring they are legally married to each other and obtain notarization of both of their signatures.

We received the requested documentation from all 60 subscribers. Our evaluation of the supplied documentation did disclose one instance in which the covered dependent was determined to be ineligible. That dependent is the former spouse of a subscriber. The subscriber indicated to us that he thought the former spouse had been removed when the divorce occurred in December 2013. Following the subscriber's response to our inquiry in June 2014, the subscriber did immediately have the former spouse removed as a plan dependent.

Because the employee had elected family coverage in order to cover other dependents, the inclusion of the former spouse had no effect on the amount of premium due and paid. However, the City may be liable for claims paid, if any, on behalf of the former spouse from January 2013 until the former spouse's removal from the plan in June 2014.

Our audit tests followed the provision of multiple notices to subscribers to remind them of the eligibility requirements for dependents and to alert employees and retirees that an audit of the City's compliance therewith was forthcoming. These notices began in October 2013 and were provided to allow employees and retirees to review any dependents participating in the plan, ensure the continuing eligibility of dependents or remove them from the plan, and locate, as necessary, documentation supporting dependent eligibility, such as, for example, birth certificates for participating dependent children of the subscriber.

Available records did not readily facilitate an analysis of the rationale for each of the changes made by each subscriber during and subsequent to the FY 2014 open enrollment period. Absent such information, it was not practicable in the circumstances for us to estimate the extent, if any, that the notices had led to subscriber removal of known ineligible.

Question No. 4. What enhancements to the City's controls are recommended?

To better ensure only those individuals qualified as health plan dependents are enrolled as plan dependents, we recommend the City enhance the related controls. In doing so, the City should consider the costs and benefits of the following potential control enhancements:

- Upon enrollment, as is already done for qualifying events, the City require subscribers provide documentation demonstrating dependent eligibility for participation in the City's health care plan.

Copies of this documentation should be appropriately secured in the City’s electronic document management system (EDMS).

- The City periodically select a sample of subscribers and verify dependent eligibility by reference to records on file and to records supplied by the selected employees.

Conclusion

Overall, our audit tests indicated the dependents covered under the City’s health insurance plan were eligible for the coverage received. To better ensure only those individuals qualified as health plan dependents are enrolled as plan dependents, we recommended the City enhance related controls. In doing so, the City should consider the costs and benefits of the following potential control enhancements:

- Upon enrollment, as is already done for qualifying events, the City require subscribers provide documentation demonstrating dependent eligibility for participation in the City’s health care plan. Copies of this documentation should be appropriately secured in the City’s electronic document management system (EDMS).
- The City periodically select a sample of subscribers and verify dependent eligibility by reference to records on file and to records supplied by the selected employees.

Acknowledgements

We would like to thank and acknowledge the full and complete cooperation and support of all employees, retirees, and City departments during this audit, especially Human Resources, Retirement, and the City Attorney’s Office. We would also like to thank and acknowledge the assistance and support of staff of CHP and Florida Blue.

Appointed Officials’ Response

City Manager:

The City Auditor’s Office has completed the audit of the Health Plan Eligibility Controls for Dependents and I am pleased that overall the audit has concluded that dependents covered under the City’s health insurance plan were eligible for the coverage received. We appreciate the Auditor’s recommendations on future improvements and control enhancements relating to dependent eligibility verifications and monitoring. Staff will assess the feasibility of these enhancements and implement these, as appropriate, over the coming months.

I would like to thank the Auditor’s Office, employees, retirees, and City departments for their participation during this audit, especially Human Resources, Retirement, and the City Attorney’s Office. Additionally, I would like to thank and acknowledge the assistance and support of CHP and Florida Blue.

City Treasurer-Clerk:

We appreciate the efforts of the City Auditor in conducting the Audit of Healthcare Dependent Eligibility and find the resulting report and recommendations to be straightforward and clear. We will continue to strive for full compliance with the City’s policy on healthcare eligibility and will follow the changes, if any, made by Human Resources as part of the action plan.

Appendix A – Management’s Action Plan		
Action Steps	Responsible Employee	Target Date
Objective A: Provide increased assurance of the eligibility of the dependents of employee subscribers.		
1) At the time of initial enrollment and during each open enrollment period, subscribers will be reminded of dependent eligibility requirements and that the City may require that the employee provide documentation demonstrating dependent eligibility at any time during the period of insurability.	Natalie Prato	October 2014
2) Human Resources will implement a plan which will include selecting a sample of subscribers and verifying dependent eligibility. This will occur annually in the month of February to allow for employees to correct any eligibility errors during the previous annual enrollment period.	Natalie Prato	February 2015
Objective B: Provide increased assurance of the eligibility of the dependents of retiree subscribers.		
1) At the time of retirement and during each open enrollment period, subscribers will be reminded of dependent eligibility requirements and that the City may require that the retiree provide documentation demonstrating dependent eligibility at any time during the period of insurability. In addition, the Retirement Division will continue to require marriage certificates as proof of dependent eligibility for spouses at time of retirement.	Darrell Thompson, Jr.	October 2014
2) Retirement will implement a plan which will include selecting a sample of subscribers and verifying dependent eligibility. This will occur annually in the month of February to allow for employees to correct any eligibility errors during the previous annual enrollment period.	Darrell Thompson, Jr.	February 2015

Copies of this audit report #1501 may be obtained from the City Auditor's website (<http://talgov.com/auditing/index.cfm>) or via request by telephone (850 / 891-8397), by FAX (850 / 891-0912), by mail or in person (Office of the City Auditor, 300 S. Adams Street, Mail Box A-22, Tallahassee, FL 32301-1731), or by e-mail (auditors@talgov.com).

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