

March 2022



Office of Internal Audit

Why We Did This Audit

The OIA included a review of the City's health insurance benefit program as part of its annual Audit Plan.

Key Recommendations

- Research and correct the OIA's identified misclassifications and erroneous payroll deductions.
- Work collaboratively with the City's IT department to establish technology driven proactive reconciliation procedures.
- Contract with Tyler Technologies to obtain a short term onsite MUNIS consultant that is proficient in the Human Resources/Benefits module to advise the departments as to best practices and to identify where MUNIS functionality can be optimized.

For more information, please contact Yong No at (413)784-4844 or yono@springfieldcityhall.com.

Health Insurance Benefits Review Executive Summary

Background

The City of Springfield offers active employees various benefit options that are administered by the City's Employee Benefits department (Benefits department). Some of the benefits offered include health, dental, vision, employee assistance, and life insurance. Some benefit programs also continue for City and School retirees. This review looked at the administration of the City's health insurance program. Health insurance coverage is currently provided by the Group Insurance Commission (GIC). The GIC provides and administers health insurance to both state and municipal employees and retirees, and their dependents and survivors.

What We Found

- The Benefits department did not fully reconcile the information contained in the GIC invoices to the information contained in the City's accounting system, MUNIS, and retirement data sources.
- There were numerous data discrepancies between GIC invoices and the various systems of record, such as employee enrollment information, social security numbers, and names.
- The administration and recording of employee and retiree information in the various databases need improvement.

Additional Comment

The Benefits department director was apprised of the findings of this report and was actively working on resolving the findings. However, the director left the City's employment prior to the issuance of the final report and attainment of management responses. Instead we have obtained management responses from the City's Chief Administrative Financial Officer and Director of Human Resources and Labor Relations.



Introduction

Chapter 468 of the Acts of 2008 authorizes the Director of Internal Review to examine the records of the City of Springfield, MA (City or COS) and its departments to prevent and detect waste, fraud and abuse and to improve the efficiency, effectiveness and quality of public services provided in and by the City. In accordance with this legislation, all offices and employees of officers, boards, commissions, agencies and other units of City government are required to comply with requests for information or access to systems and records by the Office of Internal Review (OIA). The following review aligns the authority and goals of the OIA with those of the City. Specifically, this review addresses the City's values related to accountability such as integrity, fiscal responsibility and transparent practices. The review also supports the City's strategic priorities ensuring operational excellence, fiscal health and sustainability in all divisions, departments, programs and activities.

This report is not intended to be an adverse reflection of the City or of its vendors. The intent is for City management to utilize these findings and recommendations to help in making future well-informed strategic decisions while ultimately meeting City objectives.

Background

The City offers active employees various benefit options. A few of the benefits offered include health, dental, vision, employee assistance, flexible spending accounts, deferred compensation, and life insurance. Some benefit programs also continue for City and School retirees. These benefit payments constitute a significant expense for the City.

The current contracted vendor for health insurance coverage is the GIC Health Insurance Company (GIC). During the time period selected for our review, the monthly premiums and number of GIC Health Insurance participants observed were as follows:



GIC Invoice Month/Year	GIC Health Insurance Full Cost Invoiced Premium Amounts	Total Number of Active, Cobra, Retired, and Surviving Spouse Members
Jul-20	\$ 7,454,420	8,163
Aug-20	7,445,188	8,158
Sep-20	7,358,156	8,073
Oct-20	7,335,185	8,057
Nov-20	7,420,369	8,147
Dec-20	7,418,932	8,148
Jan-21	7,405,932	8,147
Feb-21	7,382,059	8,126
Mar-21	7,366,094	8,108
Apr-21	7,356,849	8,105
May-21	7,350,231	8,092

Objectives, Scope, and Methodology

Objectives

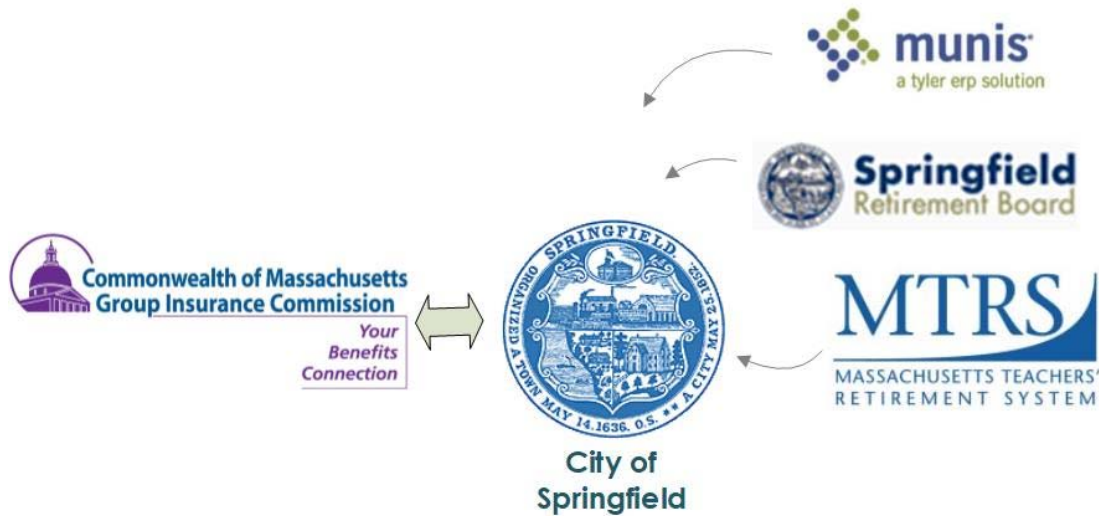
The primary objective of this review was to determine if adequate internal controls existed over the administration of the health insurance benefit program offered to City employees and retirees.

Scope

Our testing was performed for GIC invoices for Fiscal Year 2021 through May 31, 2021 (funded by payroll/pension deductions June 2020 through April 2021).

Methodology

To accomplish our objectives, various sources of data were obtained, including data from the City’s accounting system, MUNIS, Springfield Retirement System, and the Massachusetts Teachers’ Retirement System. Data was then compared to invoice data from GIC. The following diagram illustrates:



In addition, we performed the following procedures:

- Interviewed HR department personnel to gain an understanding of administering the health insurance program.
- Tested the accuracy of Member ID numbers per GIC Invoices to social security numbers in MUNIS.
- Obtained payroll deduction data, retiree deduction data, current rates/premiums, and billing data.
- Identified insureds that had a deceased code in MUNIS.
- Tested the plans as classified by the GIC of insureds as compared to their plan setup in MUNIS.
- Tested whether GIC invoiced amounts matched MUNIS employee actual amounts withheld from payroll.
- Where possible, calculated potential overages/shortages to GIC from the City (note: our estimated amounts were based solely on our test period and the relevant health insurance coverage; therefore, actual overages/shortages may be different if based on additional affected months/years and after further research of source documents.)
- Collaborated with the Insurance Director in communicating identified exceptions so that the instances could be researched and corrections made.
- Performed other tests deemed as necessary.

Findings and Recommendations

The following are our review findings and their potential risks/impact and recommendations.



Finding Number	Finding	Finding Description	Potential Monetary Impact	Recommendations
1.	There were numerous variances between GIC invoices and the City's accounting system, MUNIS.			
a.	Some employees/retirees had payroll/pension deductions for health insurance during the analysis period but were not on the GIC invoices as members.	<p>This type of inconsistency creates either a potential underpayment to GIC and the risk that claims may have to be paid by the City rather than GIC, or alternatively depending upon which system has the error, potential overpayments for premium deductions for inactive coverage.</p> <p>As of the last month in our analysis period, we found 2 employees where active health insurance premiums were deducted from payroll; however, those employees were not listed as members on the GIC invoices. There were 5 total instances for these employees going back to the beginning of our analysis period.</p> <p>We also found 21 retirees with 191 instances during our analysis period where health premiums were withheld from pensions, but the retirees were not on the GIC invoices.</p>	<p>A potential underpayment of \$8,336.44 to the GIC, assuming all instances should be on the invoices or a potential overpayment by employees of \$2,084.11 if they are not.</p> <p>A potential underpayment to GIC of \$102,757.00 assuming all instances should be on the invoices or a potential overpayment by retirees of \$25,689.25 if they are not.</p>	<p>We recommend that the Benefits Department research and correct the current inconsistent or incorrect data identified by the OIA. The department should ensure that these members are properly listed on the GIC invoice if warranted. If not, the payroll/pension deductions should be inactivated and the employees/retirees reimbursed accordingly. If so, the department should work with the GIC to determine potential amounts that are due to the GIC.</p> <p>Future records should be routinely compared and analyzed with potential collaboration with the IT department to ensure accuracy and to assist in timely resolutions to issues.</p> <p>Also, it should be discussed with MTRS and City Retirement to list dental amounts as a separate field rather than aggregated with health insurance deductions to assist in reconciliations of data.</p>



Finding Number	Finding	Finding Description	Potential Monetary Impact	Recommendations
b.	Some employees/retirees did not have payroll/pension deductions for health insurance during the analysis period but were on the GIC invoices as members.	<p>This is a similar issue to finding 1a above except that the variances are reversed.</p> <p>As of the last month in our analysis period, we found 28 employees where active health insurance premiums were not deducted from payroll; however, those employees were listed as members on the GIC invoices. There were 160 total instances for these employees going back to the beginning of our analysis period.</p> <p>We found 47 retirees with 471 instances where health premiums were not withheld from pensions, but the retirees were on the GIC invoices.</p>	<p>A potential underpayment of employee premiums of \$32,108.53 to the City, assuming all instances should be on the invoices or a potential overpayment to the GIC by the City of \$124,436.90 if they are not.</p> <p>A potential underpayment of retiree premiums of \$107,074.18, assuming all instances should be on the invoices or a potential overpayment by the City to the GIC of \$428,296.70 if they are not.</p>	<p>We recommend that the Benefits Department research and correct the current inconsistent or incorrect data identified by the OIA. The department should ensure that these members are properly listed on the GIC invoice if warranted. If so, a decision will need to be made regarding the employees'/retirees' potential underpayments. If not, the department should try to recover any potential overpayments from the GIC.</p> <p>Future records should be routinely compared and analyzed with potential collaboration with the IT department to ensure accuracy and to assist in timely resolutions to issues.</p> <p>Also, it should be discussed with MTRS and City Retirement to list dental amounts as a separate field rather than aggregated with health insurance deductions to assist in reconciliations of data.</p>
c.	Some health plans setup for employees in MUNIS were not the same plans as shown on GIC invoices.	Some of the health insurance plans that were set up in MUNIS differed from the plans as shown per GIC invoices creating a discrepancy for 13 employees with 92 instances. These errors may create incorrect premiums withheld and/or an erroneous lack of coverage.	If the GIC plans are correct, potential overpayments by employees of \$3,347.52 and underpayments of \$3,691.38. If the plans as listed in MUNIS are correct, there is a	We recommend that the Benefits Department research and correct the instances identified by the OIA. Differing plans setup in MUNIS and with the GIC should be researched and harmonized with corresponding corrections to employee premiums withheld.



Finding Number	Finding	Finding Description	Potential Monetary Impact	Recommendations
			potential underpayment to the GIC of \$1,375.45.	Future data records should be routinely reconciled and corrected with potential collaboration with the IT department.
2.	There were numerous data discrepancies between GIC invoices and the City’s accounting system, MUNIS.			
a.	Some employee and retiree social security numbers in MUNIS were not an exact match of member identification numbers per the GIC invoices.	During our test period, we found 23 employees and surviving spouses where the member identification numbers per the GIC invoices did not match the corresponding social security number in MUNIS. Most discrepancies appear to be merely typographical errors. These errors adversely impede the ability to perform efficient and effective reconciliations.	No monetary impact was calculated for this finding.	<p>As Human Resources is responsible for maintaining employee data records, we recommend that the Employee Benefits Department work collaboratively with HR to correct the instances identified by the OIA.</p> <p>HR should also develop formal processes that include checklists and supervisory reviews to ensure data is entered correctly in MUNIS, GIC, and with retirement agencies for new employees/members.</p> <p>Data integrity issues such as typographical errors on social security numbers and names should be routinely monitored and corrected. We suggest that HR work collaboratively with the City’s IT department to develop queries that can aid in catching potential social security number discrepancies.</p>



Finding Number	Finding	Finding Description	Potential Monetary Impact	Recommendations
b.	There was a GIC member that had a deceased code in MUNIS.	One employee was found where premiums were charged by GIC for the member who had a deceased code in MUNIS. Continuing to include deceased members on the GIC invoice results in an unnecessary overpayment of premiums by the City.	The potential overpayment to GIC by the City is \$8,797.02.	<p>We recommend that the Benefits Department research and correct the instance identified by the OIA.</p> <p>We suggest that Benefits develop a process for identifying employees/retirees that are deceased and for notifying GIC of the same. The notifications to GIC should be reviewed for accuracy and to ensure invoices are corrected.</p>
3.	The administration and recording of employee and retiree information in the various databases needs improvement.			
a.	HR is currently creating duplicate employee records for some employees and also for retirees in the City's accounting system.	<p>We noted nine instances where covered employees were listed in MUNIS as terminated but were receiving paychecks and having health insurance deductions withheld. Further research showed that the discrepancies were due to the employees having more than one employee record with one record showing an active status and one showing a terminated status.</p> <p>A typical best practice is to create one unique employee number/record in an accounting system. Any employment or job status changes should be made to the employee's record in lieu of creating additional employee master records.</p> <p>The creation of multiple employee master records adversely affect the ability to quickly and accurately query data, calculate</p>	No monetary impact calculated for this finding as these are data errors.	<p>This is a prior recommendation from our Life Insurance audit that we must reiterate. We recommend that the HR department develop a process for correcting existing duplicate employee master records and for entering future records that ensures each is unique, accurate, and consistent.</p> <p>Additionally, the HR department should consider contracting with Tyler Technologies to obtain a short term onsite MUNIS consultant that is proficient in the Human Resources/Payroll module to:</p> <ul style="list-style-type: none"> observe current processes, how MUNIS is currently used in the HR department, and advise the department as to best practices identify where MUNIS functionality can be optimized or where the



Finding Number	Finding	Finding Description	Potential Monetary Impact	Recommendations
		projections, and also creates the risk that an employee could erroneously be paid more than once in a pay period.		addition of more data fields may be needed <ul style="list-style-type: none"> • identify training that may be needed to achieve recommendations.
b.	There are some name discrepancies between various sources of employee and retiree data; naming conventions are not streamlined or reviewed for accuracy.	<p>During the testing period, we noted nine name variations, especially surrounding married names that are not consistently recorded across data sources. Sometimes the maiden name appears first with the new last name second or other times these names are reversed. The last names are sometimes hyphenated or sometimes separated by a space.</p> <p>This is a data integrity obstacle that could impede the City's ability to perform accurate technology assisted reconciliations.</p>	No monetary impact was calculated for this finding.	<p>We recommend that the Employee Benefits Department work collaboratively with HR and both retirement systems to correct the instances identified by the OIA.</p> <p>The HR department should establish a naming convention to be utilized across data sets and correct current inconsistencies. Consistent, complete, and organized data will aid in developing a robust reconciliation process. Harmonized information is needed between MUNIS, GIC, Springfield Retirement, and MTRS data.</p> <p>A process should also be developed for secondary reviews of key tasks and of data entered to mitigate discrepancies and to ensure data integrity, especially when changes are made due to marriage.</p>



Finding Number	Finding	Finding Description	Potential Monetary Impact	Recommendations
c.	Some dates in employee master records appear to be incorrect	<p>We noted 23 instances where active employees have pension start dates entered which we believe to be typographical errors as these employees appear to be receiving paychecks with health insurance deductions. Additionally, there are 115 active employees receiving paychecks with health insurance deductions that have older inactive dates entered in their employee record that appear to no longer be applicable.</p> <p>These errors adversely impede the ability to perform efficient and effective reconciliations.</p>	No monetary impact was calculated for this finding.	<p>HR should develop a process for ensuring the integrity of employee master records. A process should be developed for secondary reviews of key tasks and of data entered to mitigate discrepancies and to ensure data integrity.</p> <p>The functionality and best use of current/prior date fields within the module should be discussed with the MUNIS consultant (see recommendation in Finding 3a).</p>
4.	There are users other than the Insurance Director and her staff that have access to modifying health insurance employee deduction setup records.	<p>There are users, other than key Benefit department employees responsible for the administration of health insurance deduction setup records, who can make changes to those records.</p> <p>In total we found 46 employees with permissions enabled to be able to update or delete health insurance deduction records in MUNIS. These changes could be made without the approval of the Insurance Director and could circumvent internal review and approval processes.</p>	No monetary impact was calculated for this finding.	<p>The OIA has identified the roles and users that currently have the ability to update or delete health insurance deduction records. The Benefits department should work collaboratively with the City's IT department and with the School department to determine which users should have this permission, and IT should change the role access records accordingly.</p> <p>The Benefits department should work collaboratively with IT to periodically monitor these granted permissions to ensure unauthorized users have not inadvertently been given access to these deduction codes.</p>

City of Springfield

Benefits Department

36 Court St., Room 18
Springfield, MA 01103



To: Office of Internal Audit

From: TJ Plante, CAFO

Date: March 24, 2022

Re: Health Insurance Benefit Audit, Management Response

Cc: Diana Mielowski, Acting Insurance Director

This memo is in response to the Health Insurance Benefit Audit recently completed by the Office of Internal Audit (OIA) in December 2021. The following corrective measures have been, or will be, implemented as a direct result of OIA's audit findings. Details are as follows:

- Reconciliation Process
 - A new data driven procedure using Excel Power Query to reconcile Active employees (MUNIS data v. Group Insurance Commission (GIC) Bill Roster) on a weekly basis in currently in the Testing Phase. Missed deductions and enrollment variances will be caught after each payroll cycle is processed and corrections, including repayments/refunds, will be made via payroll the following paycheck/deduction cycle. This will lead to a more comprehensive audit that can be done on an individual basis.
 - The new data driven procedure using Excel Power Query for Retiree/Surviving Spouse is currently in the development stage as there are two different retirement organizations (City of Springfield Retirement System and Massachusetts Teachers Retirement System "MTRS"). The reconciliation query will involve comparing and integrating data between MUNIS, Retirement deduction reports, and the GIC Bill Roster. This report will be run at the beginning of each month, after City Retirement and MTRS have disbursed monthly pensions, to flag discrepancies and keep data in sync. The Benefits Department plans to work with City Retirement and MTRS to break out to the Health and Dental into separate deductions by the end of the calendar year.
- Standard Operating Procedures (SOP) – All written SOPs regarding health insurance have been brought up to date to reflect the current processes in MUNIS v.11.3.16 and the Benefits staff has been trained to setup, change, and end deductions. Processes for enrollment setup, enrollment changes, and terminations in the GIC's *MAGIC System* have also been created as the GIC now allows online enrollment via *MyGICLink*, in addition to paper forms with "wet signatures".
 - SOPs regarding the new reconciliation processes will be revised once the data queries have been tested and finalized.
- MUNIS Proficiency – Tyler Technologies has been contacted to obtain a quote for a short term, onsite MUNIS Consultant that is proficient in the Human Resources/Benefits Module who can advise on best practices and identify where MUNIS functionality can be optimized.

Human Resources and Labor Relations Department

Response to

Health Insurance Benefits Review

February 2, 2022

The Office of Internal Audit conducted the above referenced audit. As a part of their findings the OIA made three (3) recommendations related to the Department of Human Resources and Labor Relations.

Finding 3.A HR is currently creating duplicate employee records for some employees and also for retirees in the city's accounting system.

HR/LR Department response: The HR/LR Department shares the concern raised by OIA. This Department uses social security numbers to identify if a new employee is in our system. If so, we do a re-hire and use that employee's existing identification number and do not create a new employee identification number.

Upon retirement from City service, the Benefits Department creates a "Ben only" record. If someone returns to City service from retirement we re-hire the employee, marking them as "active" in order to pay them. The employee would then have an active file and a Ben only record.

Finding 3.B There are some discrepancies between various sources of employee and retiree data; naming conventions are not streamlined or reviewed for accuracy.

HR/LR Department response: The HR/LR Department shares the concern raised by OIA. This Department uses the information provided by the employee on their I-9 form when their name is inputted into the Munis system so that we are accurately naming the employee in the system consistent with how the employee reports his/her name to HR/LR. Some employees use more than one last name, some with a hyphen and some without a hyphen. Some employees will include an apostrophe between the first and second letters of their last name and others do not. HR/LR understands this makes it more difficult to "find" an employee in Munis and will discuss options with both the Springfield Retirement Board Executive Director and Springfield Public Schools HR Department.

Finding 3.C Some dates in employee master records appear to be incorrect.

HR/LR Department response: The HR/LR Department shares the concern raised by OIA. HR/LR does not enter pension start dates. HR/LR enters start and inactive dates. We use inactive fields when an employee is on FMLA and therefore may still be receiving a paycheck. Similarly, an employee on military leave or injured on duty leave may have inactive dates and be receiving a paycheck.

If funds are available for a Munis consultant to meet with HR/LR we will gladly discuss our utilization of Munis to see if there are best practices we can review and implement.