



***Internal Audit***

***International Student Insurance***

***May 14, 2015***

**Office of Internal Audit**



# Missouri State<sup>™</sup>

U N I V E R S I T Y

**DATE:** May 14, 2015

**TO:** Dr. Dee Siscoe, Vice President for Student Affairs  
Dr. James P. Baker, Vice President for Research and Economic Development and  
International Programs  
Stephen C. Foucart, Chief Financial Officer

**CC:** Clifton M. Smart III, University President

**FROM:** Donna Christian, Director of Internal Audit and Compliance  
Jane Dewberry, Senior Auditor

**RE: INTERNAL AUDIT: INTERNATIONAL STUDENT HEALTH INSURANCE ACCOUNT**

## BACKGROUND

International Student Health Insurance is administered by Taylor Health and Wellness Center. University policy requires all enrolled international students, for whom student visa documents are issued by the University, to have health insurance through the student health insurance plan. The premiums are charged each semester to their account. Sponsored students, whose governments or sponsoring agencies have agreed to pay all the student expenses, are exempt from this requirement.

The Associate Director at Taylor Health and Wellness Center requested that a review of the International Student Health Insurance account be performed. The account is an income account where the insurance premiums charged to International Students are accumulated and forwarded to the student health insurance plan provider each semester. Ideally, this account is simply a “pass-through” account since the amount charged to students should be the same amount paid in premiums to *Academic HealthPlans*, the plan provider. The Associate Director, who approves the expenditures from this account had not been able to determine whether all the premiums were being properly collected and deposited into the account.

Premiums paid from the International Student Health Insurance account totaled **\$1,421,186** in FY13 and **\$1,571,584** in FY14. For FY15, insurance premiums are **\$717 per semester**, prorated for programs of shorter duration, such as the English Language Institute (ELI) where premiums are \$304 per 8-week term. There are other shorter programs with lower negotiated rates also.

## OBJECTIVE AND SCOPE

The objective of this audit was to review the International Student Health Insurance account activity for FY13, FY14, and current FY15 to determine whether premiums paid to *Academic HealthPlans* had been properly collected from the students and remitted to the provider.

**SUMMARY**

The International Student Health Insurance account is not reconciled periodically to ensure all applicable students are charged for health insurance and the premium is subsequently paid. Additionally, ELI owes the International Student Health Insurance account \$14,760 for insurance premiums paid through the account, but not reimbursed by ELI. Further, several employees have access within the University's Banner accounting system to make changes to students accounts that has resulted in credits for health insurance premiums; however notification was not always made to Taylor Health and Wellness Center to initiate a refund to the University from the insurance company.

Sincerely,



Donna Christian, CPA, CGFM  
Director of Internal Audit and Compliance



Jane Dewberry, Senior Internal Auditor  
Audit Field Work Completed: May 1, 2015

## OBSERVATIONS, RECOMMENDATIONS AND RESPONSES

The International Student Health Insurance account was established to track the amount charged to students for health insurance and the premiums paid by the University. Since the amount charged to students should be the same as the amount paid in premiums, this account should be a “pass-through” account. Income into this account is either automatically credited when an international student registers for classes, or if the international student is participating in a program with an all-inclusive fee (such as the English Language Institute) the department holding the class will transfer the insurance premium costs to the International Student Health Insurance account.

### 1. International Student Health Insurance Account Balance

Although the International Student Health Insurance account is a pass-through account and should theoretically balance to zero, the account has an excess cash balance which is slowly decreasing. The International Student Health Insurance account balance has varied as follows over the last three years.

	June 30, 2012	June 30, 2013	June 30, 2014
Excess Cash	113,224	91,097	81,214
Unpaid Premiums	36,352	63,194	78,700
Prepaid Insurance	98,116	118,568	81,795
Year End Balance	247,692	272,859	241,709

The balance in the account on June 30, 2014 was **\$241,709**. Of this total, **\$78,700** was insurance premiums collected from students and awaiting payment to *Academic HealthPlans*, the **\$81,795** in prepaid insurance was not actually cash, but represented an entry made to the account for the “pre-paid” value of premiums that had not yet expired, and **\$81,214** was the excess cash balance. The following issues were observed:

- There should never be excess cash in this account since the premiums being paid to *Academic HealthPlans* should be the same amount as the amount charged to the students. Additionally, the decreasing excess cash balance shows that errors in the amounts charged to students and paid in premiums have occurred. (See 2. *International Student Health Insurance Account Errors below*.) It appears that an excess cash balance existed prior to 2009 when the University began using the BANNER accounting system. A discussion with the former Director of Taylor Health and Wellness Center indicated that the most probable source of the excess cash would have been from the \$6 per month/per student administrative fee that *Academic HealthPlans* pays Taylor Health and Wellness Center to administer the plan. Currently, the administrative fee is paid to the University by *Academic HealthPlans* and deposited in the Taylor Health and Wellness Center income account; however, this fee may have been placed in the Insurance account prior to the inception of Banner. As a result, the excess cash balance should be removed from the account.
- Prepaid insurance was recorded into this account to show the unexpired value of the health insurance plan at each year end; however, since the insurance paid by this account belongs to the individual students who were charged premiums, it is not a University asset so no accounting

entry for prepaid insurance is needed. The University did not actually have an asset of **\$81,795** in prepaid premiums on June 30, 2014.

The only balance in this account at year end should be the premium collected from the student that has not yet been paid to the insurance provider. At June 30, 2014 this amount was \$78,700. This balance would be resolved when payment is made. The excess balance in the account and the unnecessary prepaid insurance entry has made it more difficult for account users to easily determine whether fees going into the account equaled the premiums being paid out of the account.

### **Recommendations:**

Consider transferring the excess cash balance from the International Student Health Insurance account to the Taylor Health Center's fund balance so that it will be more obvious when the account is out of balance. In addition, discontinue making a "prepaid insurance" entry for this account. Although the entry is immaterial to the overall financial statements, it is unnecessary.

### **Responses:**

The Vice President for Student Affairs provided the following response:

*Management is currently working with Financial Services to transfer the excess cash balance to Taylor Health Center's fund balance.*

The Chief Financial Officer provided the following response:

*We agree with eliminating prepaid entry. We recommend the cash balance remain in the Student Health Insurance account as a reserve for a minimum of one year to see how improved process works and to cover any bad debt.*

## **2. International Student Health Insurance Account Errors**

We reconciled the names of students listed on the health insurance premium invoices to the fees that had been paid into the International Student Health Insurance account and identified the following errors:

- During FY13 and FY14 the University paid premiums totaling **\$27,531** for students who were not charged. The University also collected premiums during FY13 and FY14 totaling **\$31,293** from students whose names did not appear on an insurance invoice, so premiums were not paid for them. Additionally, duplicate premiums totaling **\$6,720** were paid for some students.
- The International Student Health Insurance account is owed at least **\$14,760** from the English Language Institute for premiums paid for ELI students without a subsequent reimbursement into the account. ELI has special short term programs with the cost of the insurance included in the total fee charged by ELI. When health insurance premiums are paid for ELI students, the ELI program is supposed to make a budget transfer into the International Student Health Insurance account to reimburse the account for the premium amount. There was 1 invoice in FY13, 2 invoices in FY14 and 1 invoice in FY15 that was not reimbursed by ELI.

The Assistant Director of Taylor Health and Wellness Center explained that before he pays an invoice from *Academic HealthPlans*, he compares it to the lists of students he has received from ELI, EMBA, and International Student Services, and if the numbers appear reasonable he approves payment. He is depending on those areas to be sure that the proper amount has been collected from the students and transferred to the account for payment.

There are a number of reason why these problems are occurring:

- There is no reconciliation of the health insurance premium invoices to amounts collected from students. No one has taken ownership of this account to ensure budget transfers are being made to cover premium costs and students' accounts have been charged properly so the funds are available in the Insurance account to make the premium payment. The account is currently setup as a Taylor Health Center Account with the Assistant Director of the Health Center as the administrator.
- When a student has a medical expense and it is discovered that they were not on the insurance list, *Academic HealthPlans* has allowed the student to be added and has covered prior medical expenses for the semester. The students that we noted as paying for student health insurance, but not being listed on the insurance invoices apparently had no claims that semester so their omission from the invoice was never discovered.
- Several people have the authority to make changes to students' accounts which can result in the credit of the international health insurance charge. The Banner system uses an assigned attribute "INCH" for students who are required to purchase insurance through the University. Anyone with that attribute on their account is automatically charged for insurance at the time they register for classes. If someone changes that attribute, for instance when a student becomes a sponsored student, Banner is automatically crediting the current semester insurance charge. Several people have the authority to change attributes and may not realize that it results in a credit to the student's account. However, in order to be refunded for insurance premiums paid (or to delete the name from the current invoice), the Assistant Director of Taylor Health and Wellness Center must be notified because he is the designated contact person with the insurance company. When these credits occur through the change of the "INCH" attribute, he is not always aware of them so there is no request made for a refund of the premiums from the insurance company and the University has paid the premium unnecessarily.
- In addition to several people having the ability to credit insurance charges on a student's account, at least 2 other people in International Student Services can also do "emergency enrollments" with the insurance company. This is necessary if a student has an emergency shortly after arrival in the US, before they have been signed up for coverage and Taylor Health Center is not open to handle the problem. Recently, someone enrolled 10 individuals from a new program where a budget transfer will be needed to transfer the premiums to the Insurance account. The Associate Director was not made aware of these enrollments (which were not emergencies) and when one of these individuals came to Taylor Health and Wellness Center seeking treatment, it caused confusion and a delay in treatment because the student did not appear on any University records as even being eligible to receive treatment at Taylor. A budget transfer for **\$8,000** was made to pay the **\$7,170** in premiums to the Insurance account. It is unclear why the transfer amount did not agree with the premiums paid.
- The EMBA is an exception to the problems noted in this report. They have an established a routine of providing a detailed spreadsheet with the necessary student information and making the necessary budget transfer each semester.

### **Recommendations:**

Someone must assume responsibility for this account and ensure that the income into the account from premiums charged to the students equals the payments made to the insurance provider. ELI should make a budget transfer of **\$14,760** into the International Student Health Insurance account. Further, a review of Banner access to this account related to "INCH" entries and emergency enrollments should be performed with access being limited and the proper notification made to the Assistant Director of the Health Center so refunds can be obtained.

The Vice President for Student Affairs provided the following response:

*Taylor Health and Wellness Center is willing to assume responsibility for the account and ensure proper management. We will establish and follow proper protocols for access and disbursements in the account.*

The Vice President for Research and Economic Development and International Programs provided the following response:

*A request has been made to transfer \$14,760 owed by ELI for international health insurance charges.*

### **3. Bad Debt Expense**

In FY13 and FY14, Financial Services wrote off bad debt expense totaling **\$19,985** against the International Student Health Insurance Account. Normally, bad debt expense is applied to the account that received the benefit of the income. However, if this account is properly managed as a “pass-through” account where premiums are accumulated and then paid out to the insurance provider, there would not be any funds available to cover the bad debt. A determination should be made on how the bad debt expense is applied.

#### **Recommendation:**

Financial Services should review how bad debt should be handled for accounts that serve as “pass-through” accounts where there is no retained income to cover bad debt.

#### **Response:**

The Chief Financial Officer provided the following response:

*We recommend to charge bad debt to the above mentioned reserve and revisit in one year.*