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WEST PLAINS

Insurance Benefit Reconciliation Procedures

December 15, 2022

Report No. 180-22

Office of Internal Audit & Risk Management



DATE: December 15, 2022

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CC: Matthew D. Morris, Vice President for Administrative Services
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Insurance Benefit Reconciliation Procedures

BACKGROUND

The University offers many forms of insurance to benefit eligible employees. Some insurances are provided by the University and premiums are paid by each cost center through the established annual fringe rate. These insurances include basic life, long-term disability, and accidental death and dismemberment. Some insurances are partially provided by the University and a portion of premiums are paid by each cost center through the established annual fringe rate while another portion of premiums are deducted from employees pay. These insurances include medical and dental. The third structure of insurance benefits is voluntary insurance which is offered by the University, but 100% of premiums are deducted from employees' pay. These include vision, additional basic term life, supplemental term life, dependent term life, universal life, short-term disability, accident, critical illness, and new for 2023 is identity protection insurance.

The processes of benefit enrollment, premium calculation and deduction entry, and coverage record keeping are housed in the Office of Human Resources (hereinafter the Office). The Office utilizes two systems to complete required tasks. One system is a web-based benefits software platform which is owned and operated by an insurance vendor and is provided at no cost to the University. This system is called Selerix. The other is the University's accounting system. This system is called Banner.

The Assistant Director of Human Resources for Benefits has worked to develop checks and balances between the two systems since joining the University's team in May 2021. Audit has worked with this employee since Fall of 2021 to identify risks and review processes as developed with the intent of completing a full audit in 2022.

OBJECTIVE AND SCOPE

The objectives were to review the efficiency and effectiveness of current procedures to ensure insurance coverage and premium amounts are properly recorded, payroll deductions are accurate and correctly deposited into appropriate funds, and remittance to insurance providers is timely and accurate. We also reviewed for compliance with university adopted policies. The scope included, but was not necessarily limited to, March 2022.

SUMMARY

Overall, the Assistant Director of Human Resources for Benefits has made advances to the University's ability to ensure benefit enrollment, premium calculation and subsequent deduction, and vendor payments are accurate; however, additional improvement is needed.

Reconciliation procedures need improvement. While the Assistant Director has developed procedures to reconcile information held in each system for some benefits, we identified concerns with data quality and consistency, we noted reconciliation procedures are not currently applied to all benefits, the frequency of reconciliations is not risk based, and the reconciliations do not currently compare the information to actual payroll deductions, or the amount ultimately paid to the insurance provider. Without these additional steps, the Office cannot ensure all records are accurate in the event of a claim.

In addition, procedures are needed to ensure premiums due are appropriately identified, paid, and reimbursed by employees who are on leave without pay status, procedures are needed to ensure user access to the Banner system is terminated when an employee terminates employment or accepts a different position in the University, and new employee access to the Selerix system should be limited to the 30 days allowed by policy. Finally, due to the amount of manual entry, complexity of reconciliations, and amount of data needed to be reviewed in a short timeframe, we recommend the Office of Human Resources investigate additional opportunities to automate their procedures to the extent possible, and to the extent that benefit provided outweighs costs.



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Audit Field Work Completed: 11/18/2022

OBSERVATIONS, RECOMMENDATIONS AND MANAGEMENT RESPONSES

1. Reconciliation Procedures

Reconciliation procedures should be improved, expanded to all benefit types, prioritized using a risk-based approach, and improved to include reconciliation of premium calculations to payroll deductions and vendor remittance. Benefit reconciliations provide the opportunity to identify discrepancies in employee insurance effective/termination dates, plan types, coverage options, premium calculations, payroll deductions, and payments to vendors. These processes are complex and necessary to ensure employee satisfaction and to reduce liability to the University.

Reconciliation procedures did not exist prior to the fall of 2021 when a concern regarding the value of an employee's life insurance policy was investigated by the Office of Human Resources and discrepancies in information held in the two systems utilized by the Office to track benefits were noted. The Assistant Director of Human Resources for Benefits immediately developed and implemented procedures to reconcile life insurance plan type, coverage, and premium calculations between the two systems on a monthly basis. These procedures have since been expanded to include medical and dental insurance on a quarterly basis.

While these procedures are valuable, our audit concluded the need for additional improvements including:

A. Improved Data Quality

Data held in the two benefit systems is not always consistent and or identifiable.

As noted above, the Office utilizes two systems to track benefits, Selerix and Banner. Selerix is a web-based benefit enrollment platform. This system is not owned by the University, but its use is provided free of charge by a currently contracted insurance provider. Banner is a web-based accounting platform owned by the University and used to process data for numerous operations including payroll deduction and insurance provider remittance. Our review of data recorded in both systems determined manual entry of data created discrepancies in various benefit records held in each system.

Each November benefit eligible employees are given access to the Selerix system to select their benefit plans, coverage levels, etc. and authorize payroll deductions for those chosen benefits during the coming calendar year. Once this information is recorded in the Selerix system, it is tested for accuracy and then pushed into the Banner system without the need for manual entry. In our testing, we found no errors with information fed into Banner in this manner. However, these procedures are currently only used for this main benefit selection period and are not utilized to record other changes during the year.

Upon hiring, each new benefit eligible employee is given access to the Selerix system to select their benefits and coverage levels. Once this information is recorded in the Selerix system, it is manually keyed into the Banner system. Further, when certain qualifying events occur, employees may also make changes to their benefit selections. In these instances, both the Selerix and Banner systems are updated manually. During our testing, we identified 36 errors related to manual entry including 17 plan type or coverage amount errors in life, medical, dental and vision insurance and 19 premium calculation errors in life, medical, vision, accident, and critical illness insurance.

In addition, information held in the Banner system does not always clearly identify plans or coverage type. The Banner system uses deduction codes to differentiate the purpose of payroll deductions. However, some benefits which offer various plans or insurance types are grouped together, making reconciliation procedures more difficult. For example, at the time of our review, accident, critical illness, and identity protection insurance were all recorded in Banner under one

deduction code. Additionally, the two different medical plans offered by the University are also recorded using one deduction code. By differentiating the data to the greatest degree practical, the Office will be capable of identifying errors or trends in data more efficiently.

B. Expansion and timeliness of current reconciliation procedures

Current reconciliation procedures are not completed for all insurance types and some reconciliations should be completed more often due to associated risks. At the time of our review, reconciliations were not completed for, vision, or any product offered through Allstate and consequently, our audit identified an increased number of discrepancies for these benefits. In addition, reconciliations of medical and dental insurance are only being completed on a quarterly basis. As a result, some errors identified could not be corrected because the employee had terminated employment prior to the review. Medical insurance has the highest premium cost and therefore errors must be caught and corrected timely to avoid significant cost to the University. Furthermore, life insurance coverage inaccuracy could leave the University liable for significant amounts of unnecessary expense. The risks associated with these plans is more significant to University operations and therefore, reconciliations should be completed more often.

C. Additional reconciliation procedures

Current reconciliation procedures do not compare premium calculations to payroll deductions for any insurance types or the total of payroll deductions to amounts remitted to insurance providers for all insurance types. As a result, the Office has less assurance these amounts are accurate.

Our testing identified discrepancies in 20 payroll deductions and thus, remittance to associated vendors was also inaccurate. These discrepancies were caused by various issues including incorrect coverage types, premium amounts, or effective/termination dates recorded in the Banner system; the lack of premium adjustments when dependents age out of plan coverage; and some deviations with benefit values when salary adjustments occurred. The value of each of these discrepancies was relatively insignificant (\$516 for the month of March); however, continued or growing inaccuracy could create significant impact over time. Upon identification of these errors, the Office of Human Resources made necessary corrections for 18 deductions and determined two employees had left employment with the University and therefore, no correction could be made.

2. Leave without pay

The Office of Human Resources should establish procedures to ensure premiums for employees who are on leave without pay status are properly paid by the University, reimbursed by the employee, and recorded in the accounting system. In our reconciliation of payroll deductions for basic life, long-term disability, basic accidental death and dismemberment, and dependent life policies, we noted adjustments were made to account for three employees on leave without pay status during March 2022. For two of these three employees, we found no indication that the premiums paid by the University were subsequently reimbursed by the employee. For the other employee, the employee was making payments for these premiums; however, payments were not recorded in any account used to remit payment to insurers. As a result, it appears the University paid these premium amounts without receiving reimbursement. In addition, we found no similar adjustments are made to other insurance benefits to account for premiums due while an employee is on leave without pay status because only the amount deducted is remitted.

While each situation surrounding leave without pay status can be somewhat unique, establishing standardized procedures will allow the Office of Human Resources to better track, remit, and recoup premiums for these employees.

3. System Access

Access to the Selerix and Banner systems has not been adequately controlled. As a result, the risk of

incorrect premium deduction and the risk of information loss or misuse is heightened.

During our review of insurance benefits, we identified two employees who changed their benefit selections through the Selerix new employee link after the initial 30-day window allowed by policy. Human Resources was unaware of this change and therefore, the employees' deductions were incorrect. Upon identifying this issue, the Assistant Director reached out to Selerix and learned prior Human Resource management had requested a grace period beyond that which was allowed by policy.

We also identified three employees who no longer worked for the Office of Human Resources retained access to the Banner system. Two of these employees were prior part-time employees who terminated employment in October 2021 and August 2022. The third employee transferred from the Office of Human Resources to the Payroll Department within Financial Services. While access to the Banner system is still necessary to complete this employee's assigned tasks, access to the Human Resource module should have been terminated.

4. Process automation

While the Office of Human Resources has made strides to develop automation in certain procedures, there are many efficiencies which would be provided through additional process automation.

The Division of Administrative Services acknowledged the campus wide benefit to automating Office processes and developed a Business Process and Reporting Analyst position in late 2019. This position works alongside programmers and analysts of the Office of Information Services (OIS) in correcting, modifying, and improving information in and functionality of various systems which impact all areas of Human Resources, including benefits. The list of accomplishments is extensive, and the impacts of those accomplishments are obvious, not only in the Office, but across campus.

While these improvements are commended, the number of manual processes required for processing of various information is still a very significant risk for the University. In addition, the amount of employee time these processes require could be dramatically reduced through automation. This would provide the time needed for employees to expand their assurance procedures as recommended in this report and time to advance Office objectives and meet goals more efficiently.

Recommendations:

We recommend the Office of Human Resources:

- 1.A.** Evaluate the possibility of increasing use of "push" procedures to transfer information between the two systems and when manual entry of data is necessary, provide supervisory oversight to ensure information is accurate. In addition, information entered into the Banner system should identify plan type and coverage selections for all insurance types.
- 1.B.** Expand current reconciliation procedures to include all insurance types and perform reconciliations timely based upon risk analysis.
- 1.C.** Develop reconciliation procedures necessary to reconcile premium calculations to payroll deductions and total payroll deductions to insurance provider remittances.
- 2.** Develop formalized procedures to account for premiums owed, paid, and reimbursed for employees when on leave without pay status.
- 3.** Ensure user access to systems is properly controlled.
- 4.** Continue working towards additional automation of procedures.

Management Responses:

The Office of Human Resources provided the following written responses:

- 1.A-C. We agree with the recommendations and have already begun work to improve the quality of data housed in the systems and to improve and expand reconciliation procedures.*
- 2. We agree with the recommendation and procedures to expand and apply a risk-based approach are in progress.*
- 3. We took action to immediately address the access issues identified by the audit and will ensure access to both systems is properly controlled in the future.*
- 4. We have and will continue to work closely with Information Services to automate procedures as able. Several items are already in process and will be implemented as soon as feasible.*