



**November 8, 2017**

**To:** Finance and Administration Committee

**From:** Darrell Johnson, Chief Executive Officer

Janet Sutter, Executive Director  
Internal Audit Department

**Subject:** Employee Health Benefits, Internal Audit Report No. 17-506

### **Overview**

The Internal Audit Department has completed an audit of employee health benefits. Based on the audit, controls in place to ensure proper enrollment, accounting, and compliance with laws, regulations, policies, and procedures are generally adequate; however, recommendations were made to develop and implement procedures for verification of Health Savings Account contribution payments and for collection of insurance premiums in arrears. Also, management should consider clarifications to the policy governing health plan participation.

### **Recommendation**

Direct staff to implement three recommendations provided in Employee Health Benefits, Internal Audit Report No. 17-506.

### **Background**

The Benefits Section (Benefits) within the Human Resources Department is responsible for administration of all employee benefit and retirement programs. With regard to health insurance, Benefits is responsible for the annual open enrollment process, changes throughout the year due to qualifying events, and reconciliation and authorization of monthly invoices. Benefits also directs contributions to Health Savings Accounts (HSA) for participants enrolled in a high-deductible health plan, such as the Anthem Consumer Driven Health Plan (CDHP). For Anthem CDHP enrollees, the Orange County Transportation Authority (OCTA) contributed \$1,300 for single participants and \$2,600 for family plan participants in 2016. The contributions are made in the beginning of the year for participants who enroll during the open enrollment period. For new hires

or mid-year enrollees to the Anthem CDHP, the contribution amount is pro-rated based on the participant's effective date of insurance.

### ***Discussion***

Two employees, hired mid-year, did not receive their OCTA-paid HSA contributions in accordance with the employee benefit plan documents. For mid-year enrollees, Benefits staff sends an e-mail to Payroll Section staff to direct the pro-rated HSA amount to be deposited. In these instances, there was no evidence that communications were made. There is also no secondary review process to verify payments. The Internal Audit Department (Internal Audit) recommended management develop and implement a verification process to ensure HSA contributions are made as required. Management responded that deposits for these two employees have been made and procedures will be developed and implemented.

Also during 2016, health benefit premiums for eight participants fell into arrears. Six of the participants ultimately cleared the arrears; however, it took between one and six months. One of the participants terminated in March 2016, and has a balance owing of \$124.89. Another participant owed \$1,336.40 as of December 2016, related to premiums from calendar years 2015 and 2016. Internal Audit recommended management develop written policy and procedures for collection of premiums in arrears. Management responded that \$1,336.40 has been collected from the participant, and a written policy and procedure will be developed.

Under current policy, members of the Board of Directors (Board) may receive the same OCTA-subsidized health benefits as full-time employees, provided they do not also receive health benefits from the public entity they serve. The policy, as currently written, does not preclude members of the Board who receive cash in-lieu of health benefits from the public entity they serve from also receiving OCTA-subsidized health benefits. Internal Audit recommended management seek Board input and clarify the policy, as applicable. Management agreed and responded that clarifications to the policy will be considered with the next update to the Personnel and Salary Resolution.

### ***Summary***


Internal Audit completed the audit and offered three recommendations.

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**Attachment**

A. Employee Health Benefits, Internal Audit Report No. 17-506

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