



***Luzerne County Employee
Dental Insurance
Administration Audit
August 2014***

Fieldwork Performed by:

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Description:

Luzerne County Government acts as a conduit for its employees to have access to dental insurance at group rates. The employee bears the entire costs of the premiums of this coverage with bi-weekly payments by payroll deduction. Those employees separated from county service are allowed coverage through COBRA and are billed by the benefits office for their premiums.

Employee participation in the dental program offered by Luzerne County is voluntary. Individual employees pay (\$14.49 bi-weekly) or more (\$40.14 bi-weekly) if a spouse, child, and/or children are also covered.

Objective and Scope:

The objective of this audit is to determine if the Dental Care benefit purchased by Luzerne County Employees is administered properly. We want to ensure that those enrolled in the program assessed through payroll deduction are paying the appropriate amounts for their coverage, and that the coverage they are receiving is appropriate for their individual needs. Also, that those enrolled through COBRA are removed from coverage at the correct specified time.

The Luzerne County Controller's Office strives to objectively and systematically evaluate functions, procedures and activities to ensure that each are executed in the best, most efficient way. One of our goals is to achieve the most value for each dollar spent, and makes good use of resources available by fostering ideas and to help implement those which maximize efficiency, economy and effectiveness. Our reviews are tailored to the unique circumstances of each office, and we work with management to ensure accountability and direction.

The Luzerne County Controller's Office is authorized by the Home Rule Charter of Luzerne County (Herein after referred to as the Charter) Section 3.08 to conduct fiscal, performance, management, contract, grant, compliance and related audits of any County division, bureau, office, agency, board, commission, elective office, The Judiciary, Office of Court Administration or other administrative office. This review is an internal function, authorized by the Charter, therefore the Controller is required to transmit to the Manager of Luzerne County and County Council and post for public inspection in the Controller's Office and on the County website and/or other electronic medium for a period of at least 60 days after it is issued.

Auditors assigned to the engagement are employed by Luzerne County under the Controller's Office and report directly to the elected Controller. The audit staff is considered organizationally independent to conduct and report on the audit.

Methodology:

We attempted to reconcile membership rosters from UC to participation records received from New World. Using payroll deduction records we compiled and collated the information, isolating any differences between the two with regard to the amount of premium paid, and the appropriateness of the coverage for every employee and their dependants, if any, and documented outliers. We then arranged the results together forming lists of common exceptions.

We believe that the data obtained and used during this audit, provides a reasonable basis for our opinion. Our focus is to ensure that the entire process follows documented policies and procedures which provide dental insurance for those enrolled.

Observations:

Our analysis uncovered six areas of concern, which are listed below.

- Thirty-one (31) former employees remain on the UC enrollment roster, one of which dates back to 2010.
- Six (6) employees are paying for family coverage, but are enrolled as individuals.
- Six (6) employees, are paying for individual coverage, but appear to have dependents enrolled.
- Fifteen (15) employees enjoy dental coverage that we have found no evidence that any premium was paid.
- Twelve (12) employees and their families are being covered with no evidence of a premium being paid.
- One (1) employee paid for individual dental coverage but was never enrolled by the County.

Claims were paid by UC on behalf of individuals who were not eligible for the benefit. These exceptions occurred due to the County's inability to monitor, control and correct enrollment errors.

Those employees who have dental coverage through COBRA are invoiced by the benefits office on a monthly basis. COBRA billing for dental coverage may include premiums for health and vision on the same bill. These amounts are not accounted for separately and are all deposited into one revenue account. This makes it difficult to determine what coverage the premium represents. COBRA billing is done manually.

Luzerne County currently deposits all money received for insurance premiums through COBRA in to one account. If a shortage in that account would occur due to missed payments, or due to an employee not being removed from the roster in a timely manner, reconciliation would be impossible.

It appears that the updating of employee participation in dental insurance may not be happening on a regular basis. Although some former employees have been purged from the list, some remain active. Those employees with changes in dependants may not have the proper coverage for their situation leading us to believe that perhaps the benefits office isn't being informed of these changes on a timely basis.

The benefits office has taken steps to modernize billing, and increase accountability, but while in the process of upgrading systems, the accounting remains manual.

Recommendations:

We recommend that the discrepancies with enrollment and payments for dental care as described above be corrected as soon as possible.

- Those who are no longer employed by Luzerne County and are not participating under COBRA should be purged from the UC dental insurance roster.
- Those employees who enjoyed dental coverage without a payroll deduction, should be billed the amounts paid to UC by Luzerne County on their behalf.
- Those employees who are enrolled as individuals having a payroll deduction at the family rate should be refunded the difference. Before a refund is issued in these cases, it should be determined if the individual is either paying too much or is enrolled incorrectly.
- Those employees paying for coverage but were never enrolled, should be enrolled immediately. Any premiums paid by employees prior to their enrollment should be refunded.

We recommend that a "dental plan" escrow account be established, where all COBRA dental payments and payroll deductions would be deposited, and from where payments to the carrier would be issued.

A master list of participants should be created from payroll deduction records and COBRA billing. This list should be reconciled with UC billing on a regular basis. UC does not normally include a roster of participants with its invoice, therefore one should be requested.

In order to be assured that employee benefits are managed and processed accurately, we recommend that the administration develop and follow a checklist to be consulted when an employee status changes in a way that would affect any one department.

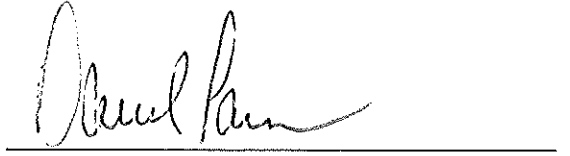
The administration should develop an employee "change of status" checklist. This checklist would serve as a guide to make sure that each department affected is notified that they must take a required action. If instituted correctly the check list will assure that employee data is current, accurate and identical throughout the County.

The Controller's Office recognizes the complex and diverse nature of regulations and policies which govern the distribution and administration of healthcare to our employees. The Benefits Coordination Office is staffed by one individual who is responsible for it all.

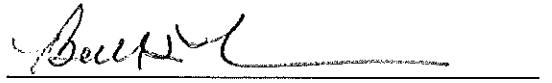
Luzerne County Home Rule Charter: Section 3.08 (C.) 3.

The audited entity shall respond in writing, specifying agreement with the audit findings and/or recommendations or the reasons for disagreement with the findings and/or recommendations, along with any plans and timetable for implementing remedies. The response shall be provided to the Controller within 14 days after the audited entity's receipt of the draft audit. The Controller shall include the audited entity's response in his/her final audit report.

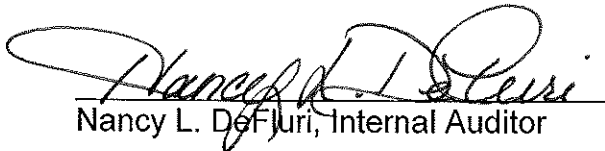

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