



***Luzerne County Employee
Dental Insurance
Administration Audit
April 2016***

Fieldwork Performed by:

Martin G. Moughan

Nancy L. DeFluri

**Michelle A. Bednar
Luzerne County Controller**

Date: 04/21/2016

Description:

Luzerne County Government acts as a conduit for its employees to have access to dental insurance at group rates through United Concordia Dental Insurance (UC). The employee bears the entire cost of the premiums for this coverage with bi-weekly payroll deductions. Participation in the dental insurance is voluntary. Those employees separated from county service are allowed to retain their UC coverage through COBRA and are billed by the benefits office for their premiums.

In 2015 individual employees paid (\$13.38 bi-weekly) or (\$37.05 bi-weekly) if a spouse, child, and/or children were 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 accurately. We want to ensure that those enrolled in the program administered by the benefits office are paying the appropriate amounts for their coverage, and that the coverage they are receiving is appropriate for their needs. Also, that those enrolled in the program via COBRA are removed from coverage at the time required by law.

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:

The Controller's Office reconciled membership rosters from UC to payroll deduction records from New World, the Countywide Financial System. The Controller's Office compared employees' names and premiums paid with the UC list of covered employees and their insurance level.

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.

Findings:

Our analysis uncovered 34 exceptions where it appeared that coverage was provided, but payment for the insurance was not found, and vice versa.

1. The Controller's Office found three employees receiving dental coverage under their maiden names, but payroll deductions were made from their legal married names. This condition caused us to believe that three employees were receiving coverage and not paying for it, and three other employees were paying for coverage that they were not receiving.

Resolution: The Benefits Office had the employees' change their enrollment names to their legal names with UC, the plan provider.

2. The Controller's Office found that one employee was receiving dental insurance coverage without a payroll deduction. This condition caused us to believe the employee was enrolled, but not paying for the coverage. The Controller's Office concluded that the new employee's payroll deduction started after the employee was enrolled.

Resolution: The Controller's Office rechecked the employees' status after a time, and all of the necessary payments due had been made by payroll deduction.

3. The names of five individuals receiving dental insurance coverage were not found in the New World financial system. This condition caused us to believe that non-employees were receiving dental insurance through Luzerne County.

Resolution: The Controller's Office informed the benefits office that it could not find these five individuals on New World. The benefits office performed the same exact request for information on New World as did the Controller's Office and found all five individuals. (Coincidentally, one of these five individuals was also using a maiden name for coverage, and is included in finding 2). These issues were resolved and corrected.

- a. The Controller's Office contacted the Information Technology (IT) department to find out how it could be possible that the same information found by the benefits office could not be found by the Controller's Office. The IT department determined that the Controller's Office did not have the required permissions in the New World System to view a newly added department.

This condition shows a weakness in providing access to complete and up to date information to the Controller.

Recommendation: The administration should adopt a comprehensive policy directing that the Controller's Office be provided access to all digital and physical documentation when it becomes available. Failure to provide unabridged information to auditors will result in skewed audit results.

4. The Controller's Office identified 24 employees who were enrolled with dental insurance without a payroll deduction. The existence of these names on the UC membership roster caused us to believe they were receiving dental insurance without paying for that benefit. The benefits office researched these exceptions, and found that the employee's names had been incorrectly included in an upload to the insurer. The exact cause of this error remains unknown, however the benefits office believes that a software issue caused the insurer to pull every name from the uploaded file, rather than just those names that were marked for enrollment. The affected employees were unaware that they were enrolled.

Resolution: The benefits office contacted UC regarding the situation as described above, and UC is in the process of refunding premiums paid by the County. The benefits office has verified that no claims were processed for the individuals and UC made no payment for services on their behalf.

5. Luzerne County currently deposits all money received for healthcare and dental insurance premiums including COBRA in to one account. Invoices from the provider are paid from that same account. If a shortage occurs due to the absence of a payroll deduction or from missed COBRA payments, the shortfall could go unnoticed.

Recommendation: The Controller's Office recommends that a "dental plan" escrow account be established, where all dental payments and payroll deductions would be deposited, and from where payments to the carrier would be issued. A master list of participant payments should be created and reconciled with UC billing on a regular basis. Since UC does not normally include a roster of participants with its invoice, one should be requested.

This same recommendation was offered by the Controller's Office in our Dental Audit dated August 2014.

Recommendation:

The administration should develop an employee "change of status" checklist. This list would serve as a guide for each department to take the appropriate steps insuring that employee records are current and accurate throughout the County.

This same recommendation was offered by the Controller's Office in our Dental Audit dated August 2014.

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 has taken steps to modernize billing, and increase accountability. The Benefits Coordination Office is staffed by one individual who is responsible for it all.

ADMINISTRATIVE SERVICES OFFICE

DAVID PARSNIK
DIRECTOR
COUNTY OF LUZERNE

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WILKES-BARRE, PA 18702
570-825-1700



To: Michelle Bednar

From: David Parsnik *D.P.*

Date: May 4, 2016

Subject: Dental Audit

Michelle,

Luzerne County Administrative Services has the following responses regarding the Attached Dental Insurance Audit:

Finding #3:

Access to New World including permissions to access information is controlled by the Office of Budget & Finance not Information Technology. Administrative Services will provide Budget & Finance with a copy of the audit to provide resolution to finding #3 in the future.

Finding #5:

Administrative Services agrees with the recommendation and will advise the Office of Budget & Finance on establishing a separate account for dental plan payments and deposits.

LUZERNE COUNTY
EMPLOYEE DENTAL INSURANCE
ADMINISTRATION AUDIT

REPORT DISTRIBUTION
FOR APRIL 2016

This report was distributed to:

C. David Pedri

Acting County Manager

The Honorable Michelle A. Bednar

Luzerne County Controller

Ms. Linda McCloskey Houck

Luzerne County Council Chair

David Parsnik

Director of Admin. Services

Necia Gazdziak

Benefits Coordinator


This report is a matter of public record and is available online at <http://www.luzernecounty.org>, found under Audit Reports on the Luzerne County Controller's section of the website. A hardcopy is also available for review at the Luzerne County Controller's Office.


Media questions about this report may be directed to the Luzerne County Controller's Office at 20 North Pennsylvania Blvd., Suite 213, Wilkes-Barre, PA 18701 or via e-mail to Controllers.Office@luzernecounty.org

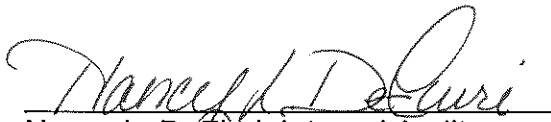
Luzerne County Home Rule Charter: Section 3.08 (C.) 3.

*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.*


**** Fourteen Days from the date of this report is May 5, 2016**


Michelle A. Bednar, County Controller

 5/4/2016
David Parshik, Div. Head, Admin Serv.


Nancy L. DeFluri, Internal Auditor

 5-4-2016
Necia Gazdziak, Benefits Coordinator


Martin G. Moughan, Auditor