

Date: 2021-03-30

Subject: HR Employee Benefits Audit (Phase 2)

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Improvement Required**Executive Summary:**

Internal Audit undertook a review of the Human Resources (HR) Employee Benefits Plan, which was conducted in two parts. This engagement was the second part of the audit and assessed prescription drug, dental, and vision care benefits. Phase 1 of the HR Employee Benefits Plan audit was presented at the November 19, 2019 meeting of the Audit Committee and assessed medical services and supplies, paramedical services, Short Term disability (STD), and Long Term Disability (LTD).

The objective of this engagement was to assess and determine whether the processes, procedures, and controls for drugs, dental, and vision care benefits are operating effectively.

The background, objective, and the audit scope are explained in **Appendix 1**.

During our review, we observed the following strengths within the HR division relating to group benefits:

- The HR division prioritizes the privacy and confidentiality of all employee information;
- The HR Benefits team has a strong experience and understanding of the different plans;
- Strong compliance to Corporate procurement policies;
- HR has been proactive and worked closely with the City's other divisions in rolling out the revised benefits plans for internal staff; and
- HR staff was very forthcoming during the entire audit process and accommodated the audit in meeting deadlines.




Other Matters

In the “Other Matters” section of Appendix 1 we note opportunities and other issues observed in the audit, posing no or low future risk, but which should still be considered by Management.

- Potential Savings - Pooling Charge Premiums
- Blank Service Provider ID
- Potential Savings - Review impact of internal service standards

These issues are explained in more detail in **Appendix 1**.

Internal Audit discussed the following improvement opportunities with HR Management:

Process	Finding	Rating
1. Benefits plan changes	Controls in place were not effective in ensuring cost saving plan changes were applied as scheduled and that the changes worked as intended. The issue was detected and correction by the serviced provider.	 P2
2. Monthly ASO billing	Controls in place did not detect that the City was being charged a higher monthly rate than agreed for a period of 10 months. The issue was detected and correction by the serviced provider.	 P2
3. Service performance reviews	The City's contract with the Plan Provider specifies that the parties will review the service levels and make adjustments to them at least twice a year. Management confirmed that performance reports are sent to the City once a year.	 P3

These issues and associated management action plans are explained in more detail in **Appendix 1**. These issues are rated as per criteria explained in **Appendix 2**.

Conclusion:

Improvement is Required by management to strengthen oversight of its service providers.

The overall report rating is determined as per the criteria for audit report rating explained in **Appendix 3**.

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Appendix 1: HR Benefits Audit Phase 2
Appendix 2: Criteria for Evaluating Audit Findings
Appendix 3: Criteria for Audit Report Rating