

Summit County Executive Office
Human Resource Department – Division of Employee Benefits
Audit Follow-up General Report

Prepared For:

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Audit Committee

Approved by Audit Committee
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Summit County Executive Office
Human Resource Department – Division of Employee Benefits
1st Audit Follow-up – General Report

Auditors:

Lisa Skapura, Director; Jon Keenan, Assistant Director; Brandon Schmidt, Senior Lead Auditor and Amanda Winkelman, Senior Auditor.

Objectives and Methodology:

To determine if management has implemented their management action plans as stated in the previously issued audit reports.

Follow-up audits are not required to be conducted under GAO Yellow Book Standards. Due to the nature of this engagement (e.g., following up on issues noted in the prior audit reports with limited planning/assessment of risk and no new issues identified), this audit follow-up was not conducted in accordance with generally accepted government auditing standards.

Scope:

An overview and evaluation of policies, processes, and procedures implemented by the department/agency because of management actions stated in the management action plans during the prior audit process.

Testing Procedures:

The following were the major audit steps performed:

1. Review the prior audit final reports to gain an understanding of IAD issues, recommendations, and subsequent management action plans completed by the audited department/agency.
2. Review the work papers from the prior audit.
3. Review any departmental/agency response documentation provided to IAD with management action plan responses following the prior audit.
4. Identify management actions through discussions/interviews with appropriate departmental personnel to gain an understanding of the updates/actions taken.
5. Review applicable support to evaluate management actions.
6. Determine implementation status of management action plans.
7. Complete the audit follow-up report noting the status of previously noted management actions.

Summary:

Of the ten (10) issues and the corresponding management action plans noted in the prior audit report which required follow-up action, the Human Resource Department Division of Employee Benefits (Division of Employee Benefits) fully implemented nine (9) and partially implemented one (1) management action plans.

Based on the above-noted information, IAD believes the Division of Employee Benefits has made a positive effort towards implementing the management action plans as stated in response to the issues identified in the preliminary audit and no further follow up is needed.

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Listed below is a summary of the issues noted in the audit follow-up report and their status. Each issue number is in reference to the previously-issued audit report:

MANAGEMENT ACTION PLANS FULLY IMPLEMENTED

Issue 1: Upon discussion with the Division of Employee Benefits personnel, IAD noted employees are not required to acknowledge receipt and review of Division of Employee Benefits policies and procedures.

Management Action Plan: All Employee Benefits staff will complete HR Acknowledgement forms after reading new department policies and procedures which have been formalized as set forth in Issue 2.

Upon detail testing of employee acknowledgements regarding receiving and reviewing the Employee Benefits Division policies and procedures, IAD noted no issues.

Issue 2: Upon review of the Division of Employee Benefits Policy and Procedure Manual, IAD noted the following:

- The manual has not been formally approved by management,
- The manual does not include effective dates or dates of revision,
- The manual includes names of employees instead of titles,
- The manual has not been formalized.

Management Action Plan: Complete an updated formal policy and procedure manual for the Employee Benefits Division that covers all areas mentioned in the audit that includes formal approval by management, includes effective dates and revision dates and updates from names to titles of employees.

Upon review of the Employee Benefits Division Policy and Procedure Manual, IAD noted the manual has been formalized, included formal approval by management, included effective dates and replaced employee names with titles.

Issue 3: Upon detail testing of receipts, IAD noted six (6) of twenty-four (24), or 25%, instances where funds were not timely deposited in accordance with ORC §9.38.

Management Action Plan: Create a procedure for safeguarding funds in a secure location until such time as checks can be deposited and to allow up to three (3) days for deposits less than \$1000.

Upon detail testing of cash receipts, IAD noted funds were deposited timely. Additionally, a procedure was established regarding the safeguarding of funds and allowing up to three (3) days for deposits less than \$1000.

Issue 5: Upon detail testing of Banner expenditures, IAD noted nine (9) out of thirty-four (34) instances, or 26%, where the invoice date was prior to the purchase order date.

Per ORC §5705.41, no order involving the expenditure of money shall be made without a certificate of the Fiscal Office (purchase order).

Management Action Plan: In completing procedures for the functional areas of the Employee Benefits Department, to be in compliance with ORC 5705.41, a procedure will be established to ensure that funds are encumbered prior to incurring an expense/liability.

Upon detail testing of expenditures, IAD noted no issues. Additionally, a procedure was established to ensure that funds are encumbered prior to incurring an expense.

Issue 6: Upon detail testing of packing slips, IAD noted four (4) out of eight (8), or 50%, instances where the packing slip was not initialed in accordance with the Department's policies and procedures.

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Management Action Plan: In completing procedures for the functional areas of the Employee Benefits Division, the duties of ordering materials and receipting them in will be performed by separate positions. The policy will include a requirement that the person performing the receiving procedure will initial the packing slip of each order to ensure all items were received. If there is no packing slip that person will send an email to his/her supervisor indicating all items ordered were received. The title of each individual involved in these processes will be noted in the procedure

Upon detail testing of packing slips, IAD noted no issues. Additionally, the policy was updated to ensure all orders received are initialed by the person receiving the item.

Issue 7: Upon detail testing of domestic partner eligibility testing, IAD noted two (2) out of forty-seven (47), or 4%, instances where a birth certificate was not obtained, in accordance with domestic partner affidavit. Additionally, upon review of the Division of Employee Benefits policies and procedures, IAD noted no policies and procedures regarding determining the timeliness of obtaining marriage/birth certificates for new dependents.

Management Action Plan: In completing procedures for the functional areas of the Employee Benefits Department, a policy will be established that sets out the required time within which marriage licenses/birth certificates (or other appropriate forms of proof) must be received for all dependents. The policy will clearly establish the consequences for failure to provide timely documentation. A procedure will be established to notify employees of their failure to provide documentation and the consequence for not providing the documentation on a timely basis (i.e., the dependent will be removed from the plan).

Upon detail testing domestic partner eligibility, IAD noted no issues. Additionally, a policy was established regarding obtaining marriage licenses/birth certificates.

Issue 8: Upon detail testing of employees that waived the County's medical coverage, IAD noted four (4) out of nineteen (19) instances, or 21%, where proof of medical coverage was not obtained in accordance with County Codified §169.15.

Management Action Plan: In completing procedures for the functional areas of the Employee Benefits Department, a procedure will be established for ensuring that employees who waive coverage provide proof of other medical coverage annually.

Upon detail testing of employees that waived the County's medical coverage, IAD noted no issues. Additionally, a procedure was established regarding obtaining proof when an employee waives medical coverage.

Issue 9: Upon detail testing of supplemental life insurance premium deductions, IAD noted one (1) out of fifteen (15) instances, or 7%, where the incorrect life insurance premium was deducted from the employee, resulting in a \$789.84 underpayment for the selected life insurance coverage in 2018.

Management Action Plan: The Employee Benefits Division will complete a reconciliation of all supplemental life insurance premium deductions in addition to the current reconciliation we are currently processing for all other lines of business.

Upon detail testing of supplemental life insurance premiums deductions, IAD noted no issues. Additionally, IAD obtained and reviewed the reconciliation for the 2022 plan year, IAD noted no issues.

Issue 10: Upon detail testing of terminated employees, IAD noted one (1) out of forty-four (44) instances, or 2%, where a prior employee was terminated from COBRA coverage; however, claims were paid after the termination date. Additionally, upon review of the Division of Employee Benefits policies and procedures, IAD noted no policy and procedure over this process.

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Management Action Plan: In completing procedures for the functional areas of the Employee Benefits Department, a procedure will be established to review claims of terminated employees to determine how repayment of claims will be processed.

Upon detail testing of terminated employees, IAD noted no issues. Additionally, a procedure was established to review claims of terminated employees to determine how repayment of claims will be processed.

MANAGEMENT ACTION PLANS PARTIALLY IMPLEMENTED

Issue 4: Upon detail testing of employee insurance premium payments when an employee is on an unpaid payroll status, IAD noted fifty-six (56) out of seventy-three (73) instances, or 77%, where the employee portion of the insurance premium was not received timely (within 30 days), in accordance with County Codified §169.15. Additionally, IAD noted four (4) out of twenty (20) instances, or 20%, where the correct employee portion of deductions was not recovered (e.g., medical, dental, vision, supplemental life insurance, etc.).

Management Action Plan: In completing procedures for the functional areas of the Employee Benefits Department, we will work with HR Legal to create a policy for employees on unpaid leave of absence that addresses time frames employees need to pay insurance premiums while on leave and that provides for notice to the employee of the consequences of failing to pay and that clearly establishes when an employee will be removed for non-payment.

IAD noted a procedure was established regarding obtaining insurance premiums while on leave; however, upon detail testing of employee insurance premiums payments when an employee is on an unpaid payroll status, IAD noted twelve (12) out of thirty (30), or 40%, instances where the employee portion of the medical premiums were not received timely (e.g., within thirty (30) days) while the employee was on unpaid leave, in accordance with Codified Ordinance §169.15