



AUDIT HIGHLIGHTS

Benefits Administration

January 16, 2019

Audit Report No. 1913

WHY WE DID THIS AUDIT

This audit was included on the Council-approved FY 2018/19 Audit Plan to evaluate the cost-effectiveness of the City's benefits administration, including contract administration responsibilities. The audit focused on administration of the City's most significant benefit contracts.

BACKGROUND

The Human Resources department is responsible for benefits administration among other programs and services. Benefits are provided to more than 2,500 FTE employees and include medical plans, dental plans, a vision plan, health spending accounts (HSA), flexible spending accounts (FSA), life insurance, disability insurance and deferred compensation, among others.

The Human Resources Manager for Benefits serves as Contract Administrator for most of the City's benefit agreements. Currently, the City contracts with Hays Companies as its medical benefits consultant and Innovest as its deferred compensation consultant.

Additionally, the City has agreements with:

- ASIFlex for FSAs and HSAs
- Cigna for third-party administration, short-term disability and life insurance
- Nationwide for deferred compensation administration
- Symetra for stop-loss insurance
- VSP for vision insurance

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WHAT WE FOUND

Procurement practices for benefit-related agreements can be improved.

- Use of benefit consultants to conduct the City's procurements is not specified in City Procurement Code and lacked transparency and documentation.
- The medical benefits consultant agreements did not specify that the consultant would conduct procurements.
- Some contract awards and extensions have not followed City Procurement Code or contract requirements.
- Some contract terms in the benefit consultant agreements are vague.

Protection of Personally Identifiable Information and Protected Health Information is not fully addressed in some benefit-related agreements.

- Three benefit-related agreements did not fully address requirements for protecting employee PII and/or PHI confidentiality.

Contract administration of third-party benefit agreements can be improved.

- The Benefits staff has not effectively monitored use of available Wellness/Health Improvement funds.
- The Contract Administrator does not maintain complete, organized contract administration files.
- One Human Resource department staff's access to Benefits shared network files was not based on the least privilege principle.

WHAT WE RECOMMEND

We recommend that Human Resources management should:

- Re-evaluate the use of consultants to conduct City procurements and involve the Purchasing department to ensure future procurements comply with City Procurement Code.
- Ensure future benefit-related agreements include clearly defined contract services and deliverables and language to reasonably ensure employee PII is adequately safeguarded.
- Maximize use of available funds to provide employee wellness each year and work with the City Treasurer's office to submit claims and properly direct the resulting reimbursements.
- Ensure contract files are organized, complete and easily accessible and network folders with PHI and PII are limited to staff with a business need.

MANAGEMENT RESPONSE

The Human Resources department agreed with the audit recommendations.