



## OIA Consulting Memo

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**Date:** May 12, 2016

**To:** Carrie Thomas, Director Total Rewards

**From:** Deena Harrison, Senior Internal Auditor  
John Fox, Audit Director

**Subject:** Benefit Plan Reconciliation Review

### **Background:**

The Employee Benefits team in Human Resources is responsible for working with various employee benefit vendors that provide services to Citizens employees including health, dental, life, disability, vision, and auto insurance. A significant part of this responsibility includes reconciling vendor invoices to ensure the appropriate amount is paid for services.

Changes to employees' benefit coverages occur on a regular basis, e.g. during open enrollment, for new hires, changes in dependents, and terminations. Vendor benefit invoices are based on headcount or tiers and reconciliation is critical to ensuring the vendor invoices reflect the accurate headcount or coverage tiers of employees enrolled in benefit plans. Invoices presented to Citizens are typically paid as billed with adjustments for additions or terminations reflected the following month. The adjustments are closely monitored to ensure additional payments or credits to vendors are accurate and made timely.

During 2015, the Employee Benefits team implemented additional process controls to improve the timeliness and accuracy of the reconciliation process.

### **Audit Scope and Objectives:**

Human Resources management requested that the Office of the Internal Auditor (OIA) review the benefit invoice reconciliation process to provide input regarding report validation, invoice reconciliation, and payment.

The OIA performed the following:

- Interviewed the Manager of Employee Benefits and the HR resource that performs the reconciliation for an overview of the benefit reconciliation process.
- Interviewed the Manager of Payroll and the Payroll Administrator to gain an understanding of the Payroll department's role in the process.
- Performed walkthrough with Employee Benefit team to observe how invoices are reconciled and discrepancies are resolved.
- Interviewed the Manager of Financial Reporting and the Accounts Payable Accountant to determine how benefit invoices are reconciled and paid.

**Results:**

Through observation and discussion we noted that processes are in place to ensure the benefit invoice reconciliations are performed timely and accurately.

The Employee Benefits team efforts to strengthen the process currently include:

- Performing multiple checks throughout the reconciliation process to ensure accuracy at the individual employee levels and overall invoice amounts.
- Communicating and ensuring the correction of discrepancies with benefit vendors and Payroll.
- Performing a detailed review of a remittance report which reflects the premium amounts that employees have paid directly to the vendor for their Cobra coverage to ensure any additions, changes or cancellations are reflected appropriately on Citizens' invoices.
- Requiring two levels of management approval.
- Training a back up to perform the reconciliation in the event the primary person is unavailable.
- Restricting access to the reconciliation spreadsheet.

Accounts Payable contributes to the timeliness and accuracy of the process by:

- Performing additional reconciliations prior to payment.
- Tracking the receipt of the invoice and reconciliation from Employee Benefits to ensure timely completion.

We encourage management to consider the following:

- Finalize formal documentation of the reconciliation process.
- The medical benefits reconciliation process is anticipated to remain similar for the administrative expense portion of the self-funded arrangement effective January 2017. After the ITN process is completed, an evaluation should be performed to ensure no additional changes to the current reconciliation processes are necessary.
- When the medical insurance transitions to a self-funded arrangement, the process owner of the claims expense payments should develop and implement processes to ensure timely and accurate reconciliation.

We would like to thank Management for the utilization of OIA consulting services.

**Distribution:**

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