

**Date:** November 14, 2019

**To:** Steve Francis, Acting Director, Department  
of Human Resources

**From:** Craig Trujillo, CPA, Chief Auditor

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**City of Hartford  
Department of Human Resources  
Employee and Retiree  
Healthcare Contributions Audit  
Report 2006**

## **EXECUTIVE SUMMARY**

In accordance with our audit plan for the fiscal year ending June 30, 2020, we completed an examination in November 2019 of City of Hartford employee and retiree healthcare contributions. The purpose of the examination was to evaluate and test internal accounting and operating controls, the accuracy and propriety of transactions processed, the degree of compliance with established operating policy and procedures, and to recommend improvements where required. The results of our examination were reviewed with S. Francis, Acting Director, Department of Human Resources; R. Pokorski, Benefits Administration; and, other responsible members of operating management. The summary which follows includes only exceptions disclosed and recommended operating improvements. Management has also noted actions taken or planned including timeframes to resolve each finding and/or recommendation in this report. In general, we found that employee and retiree healthcare contributions were properly being collected from City employees and retirees. We thank Department of Human Resources management and staff for their cooperation and courtesies extended to us during our audit.

## **BACKGROUND**

The City of Hartford (the City) provides medical and dental healthcare and prescription drug benefits to eligible employees and retirees as a part of a standard benefits package. Healthcare benefit plan options and restrictions including subscriber and dependent eligibility, employee contributions, types of coverage and co-pays are generally outlined in bargaining unit contracts and Personnel Rules and Regulations. Employees can either decline or enroll for coverage with Cigna. With a few exceptions, employees and retirees are required to contribute a predetermined rate, generally through payroll deductions, to the City to help offset the cost of healthcare coverage. The Human Resources Department is responsible for administering most aspects of the medical, dental and prescription drug plans including, but not limited to, enrolling and maintaining eligible members and overseeing employee and retiree healthcare contributions. The City also uses Zenith American Solutions, an Employee Benefits company, to administer certain aspects of these plans including collecting and accounting for healthcare contributions made by the State of Connecticut and directly by retirees. For the fiscal year ended June 30, 2019, City employee and retiree healthcare contributions totaled more than \$9.1 million.

## **SCOPE**

The scope of our review included an examination of activity primarily during the fiscal year ending June 30, 2019. The following audit procedures were performed:

- Reviews of procedures and controls;
- Tests of healthcare contribution rates charged to employees, retirees and COBRA participants;
- Reviews of bargaining unit contracts; and
- Tests of the billing and collection of employee and retiree healthcare contributions.

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Issue Statement	Management Action Plans
<p><b><u>Issue</u></b>  The employee responsible for administering healthcare benefits, including the ability to make changes to employee data, also receives monthly COBRA payment checks from Allegiance, a third-party administrator, which is not a good segregation of duties.</p> <p><b><u>Cause</u></b>  Conexis mails checks directly to the Benefits Administrator as instructed.</p> <p><b><u>Effect</u></b>  The lack of a good segregation of duties could lead to the misappropriation of City funds.</p> <p><b><u>Recommendation</u></b>  We recommend that Allegiance be instructed to mail checks to either the City Revenue Manager or to an individual independent of the employee responsible for administering healthcare benefits.</p>	<p><b>Due Date:</b> Completed</p> <p><b>Responsible Person:</b> Steve Francis, Acting Director, Department of Human Resources; Rich Pokorski, Benefits Administrator</p> <p><b>Management Response:</b>  COBRA Administrator has changed address to Revenue Manager, Finance Room 303</p>

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Issue Statement	Management Action Plans
<p data-bbox="136 342 205 370"><b><u>Issue</u></b></p> <p data-bbox="136 376 1144 475">The employee in the Finance Department responsible for the accounting of healthcare benefits also receives the retirees' checks from the State of Connecticut for their contributions, which is not a good segregation of duties.</p> <p data-bbox="136 516 216 544"><b><u>Cause</u></b></p> <p data-bbox="136 550 1144 613">The State of Connecticut mails the check directly to the Finance Department as instructed.</p> <p data-bbox="136 654 216 682"><b><u>Effect</u></b></p> <p data-bbox="136 688 1144 719">The lack of good segregation of duties could lead to the misappropriation of City funds.</p> <p data-bbox="136 760 357 787"><b><u>Recommendation</u></b></p> <p data-bbox="136 794 1144 891">We recommend that the State of Connecticut be instructed to mail checks to either the City Revenue Manager or to an individual independent of the Finance Department employee responsible for the accounting of healthcare benefit activity.</p>	<p data-bbox="1176 342 1459 373"><b>Due Date:</b> Completed</p> <p data-bbox="1176 414 1984 477"><b>Responsible Person:</b> Steve Francis, Acting Director, Department of Human Resources; Rich Pokorski, Benefits Administrator</p> <p data-bbox="1176 518 1953 647"><b>Management Response:</b> State of CT has changed address to Revenue Manager and will be active beginning with the November 2019 pension deduction reimbursements.</p>

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<p><b><u>Issue</u></b>  MUNIS is not configured properly to deduct the correct amount for City employees, primarily City Council members, who receive payroll checks monthly.</p> <p><b><u>Cause</u></b>  An inaccurate formula was coded in MUNIS whereby the employees’ healthcare contribution deduction was set to a monthly deduction amount, rather than the bi-weekly calculation that would have accurately reflected necessary deduction.</p> <p><b><u>Effect</u></b>  This MUNIS coding issue resulted in underpayment of employees’ healthcare contributions being deducted from the City employees who are paid monthly, primarily City Council members.</p> <p><b><u>Recommendation</u></b>  We recommend that Human Resource (HR) management calculate the correct employee healthcare contribution underpayment for each City employee who is paid monthly and request reimbursement from the affected employees. We also recommend HR management monitor annually the calculation coded into MUNIS for all City employee healthcare contributions.</p>	<p><b>Due Date:</b> March 31, 2020</p> <p><b>Responsible Person:</b> Steve Francis, Acting Director, Department of Human Resources; Rich Pokorski, Benefits Administrator</p> <p><b>Management Response:</b>  HR Benefits will request MHIS to remove “monthly” drop down option as pay cycle will not properly calculate required deduction amount.</p> <p>.</p>

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