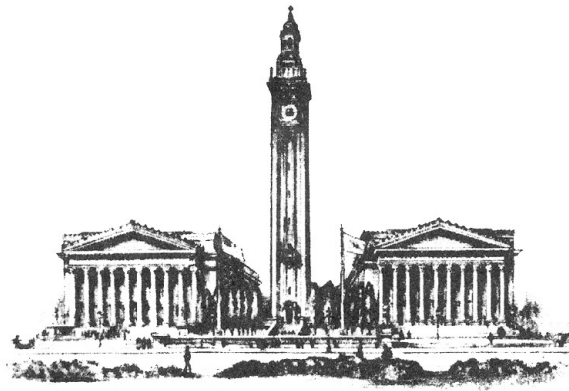


City of Springfield
Office of Internal Audit
Springfield, MA 01103

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Director of Internal Audit
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December 30, 2020

Councilor Victor Davila, Chairman
Councilor Tracye Whitfield
Councilor Sean Curran

Re: Follow- Up Report – Purchasing/Accounts Payable Performance Audit and Life Insurance Audit

Honorable Members of the Audit Committee,

Please find enclosed the Office of Internal Audit's Follow-Up Review Report related to the Purchasing/Accounts Payable Performance Audit and Life Insurance Audit. This report provides the status of recommendations as of May 31, 2020 related to these audits. The intent of this report is to keep the Audit Committee informed about the implementation status of recommendations made by the Office of Internal Audit.

We would like to thank all of the staff from the various City departments that provided us with information for this report. All of their time and efforts are greatly appreciated.

Sincerely,

A handwritten signature in black ink, appearing to read "Yong Ju No", with a stylized flourish at the end.

Enclosure



Follow-Up Report Purchasing/Accounts Payable and Life Insurance

December 2020

**AUDIT RECOMMENDATION FOLLOW-UP REPORT
AS OF MAY 31, 2020**

BACKGROUND

The Office of Internal Audit (OIA) issued the Purchasing and Accounts Payable Performance Audit report in September 2018 and the Life Insurance Audit report in May 2019.

The attached report (Attachment A) includes the audit findings from those reports, related recommendations, the current statuses, and Management’s updated responses to address those recommendations in progress. Management’s updated responses are as of May 31, 2020 unless otherwise indicated. When possible, we verified the status of recommendations shown as “implemented” through interviews with appropriate City staff and reviews of relevant supporting documentation.

Additionally, we updated our audit tests, where appropriate, for those in process recommendations to determine the impact for the period tested on the City, if any. The updated testing periods were as follows:

- *Purchasing and Accounts Payable Performance audit:* As of May 31, 2020, Fiscal Year 2019, and the six months ended December 31, 2019
- *Life Insurance audit:* As of May 31, 2020 and the period from September 30, 2018 to December 31, 2019

CATEGORIES OF IMPLEMENTATION STATUS

We contacted City departments/programs to gather the status of recommendations, reviewed all recommendations, and placed the recommendations into the following categories:

Implemented	The department/program provided sufficient and appropriate evidence to support all elements of implementing the recommendation.
In Process	The department/program indicated they agree with the recommendation and are in the process of implementing.
Will Not Implement	The department/program disagreed with the recommendation, did not intend to implement, management of the department has agreed to assume the risk for not implementing the finding; no further action will be reported; and
Not Implemented – N/A	Circumstances changed to make the recommendation not applicable.

SUMMARY

The following provides a summary of the status of recommendations of each audit:

Purchasing and Accounts Payable Performance Audit

The OIA made 12 recommendations of which 8 are in process, two will not implement, one implemented, and one partially implemented. The two recommendations that have not been implemented were due to management accepting the risk.

Audit Update:

- For the updated review period,
- The OIA identified \$2,279 in duplicative payments for which the process of resolving the duplicate payments had not begun until we notified the departments of the overpayments - \$36,952 in the 2018 audit.
 - The OIA identified 135 vendors with different vendor numbers but the same tax identification numbers – 381 in the 2018 audit.

**AUDIT RECOMMENDATION FOLLOW-UP REPORT
AS OF MAY 31, 2020**

Attachment A

Life Insurance

The OIA made ten recommendations of which four have been implemented, five are in process, and one is not applicable. The recommendation that the Human Resource management exercise oversight over the Benefits department is not applicable because the Benefits department is now part of the Office of Management and Budget department.

Audit Update:

The Benefits department is in the process of implementing procedures to reconcile information contained on the Guardian invoices to the information contained in City's accounting system, MUNIS, and other data sources. For the updated review period, the OIA noted that the net financial impact on City was a potential overpayment of life insurance premiums of \$31,514 due to unreconciled information.

**STATUS OF AUDIT RECOMMENDATIONS
AS OF MAY 31, 2020**

Attachment A

Finding	Recommendation	Responsible Department	Status	Remediation Plan
Purchasing and Accounts Payable Performance Audit				
<p>Finding 1: Duplicate payments were made to vendors.</p> <p><i>Finding Detail:</i> We analyzed FY 2016 and FY 2017 purchases for duplicate payments using ACL software. For FY 2016, we identified ten duplicate payments totaling \$43,172 in overpayments to vendors. Two of these duplicate payments totaling \$6,220 were either resolved or in the process of being resolved prior to our testing. In both of these instances, the vendors had identified the duplicate payment for the \$6,220 discussed above. For the remaining eight duplicate payments totaling \$36,952, the process of resolving the duplicate payments had not begun until we notified the departments of the duplicate payments. For FY 2017, we identified two duplicate payments, totaling less than \$100, both of which the vendors had identified the duplicate payments. The causes of the duplicate payments appear to have been for the following reasons:</p> <ul style="list-style-type: none"> • Identical invoices with different invoice numbers; and • Duplicate vendors set up in Munis. <p><i>Updated Finding Detail:</i> We analyzed FY 2019 and FY 2020 purchases for duplicate payments using ACL software.</p> <p>For FY 2020, we identified four duplicate payments totaling \$30,746 in overpayments to vendors. Two of these duplicate payment totaling \$28,467 were either resolved or in the process of being resolved prior to our testing. For the other two duplicate payments totaling \$2,279, the process of resolving the duplicate payments had not begun until we notified the departments of the overpayments.</p> <p>For FY 2019, we identified two duplicate payments totaling \$119 in overpayments to vendors. For both of these</p>	<p>We recommend that the following actions be taken to reduce the risk of duplicate payments:</p> <ul style="list-style-type: none"> • Requirement to validate information of Form W-9 to the IRS Tax Identification Matching program; • Establish a time frame to periodically review and clean up the Master Vendor File. Inactivate vendors with no payment activity for a specified period of time; • Correct duplicate vendor information; • Regularly review changes to the Master Vendor File; and • The Comptroller’s Office establish a policy to define a uniform naming convention for invoices. 	<p>Office of Procurement</p> <p>Office of Procurement</p> <p>Office of Procurement</p> <p>Office of Procurement</p> <p>Comptroller</p>	<p>Will Not Implement</p> <p>In Process</p> <p>In Process</p> <p>In Process</p> <p>In Process</p>	<p><u>Comptroller</u></p> <p><i>Updated Management Response:</i> The Comptroller's Office in conjunction with a member of the School Department's IT Department has created a duplicate invoice report. This report is run by the Comptroller's Office prior to Warrant preparation and identifies all possible duplicate payments. This report works as an added safeguard to the uniform invoice naming convention. The Comptroller's Office developed a uniform naming convention but the unique nature of certain payments made this difficult to enforce and facilitated the need to create an additional report. The Comptroller's Office and Office of Procurement have eliminated several duplicate vendors and will continue to identify and remove duplicate vendors which are not required for tax reporting purposes.</p> <p><u>Office of Procurement</u></p> <p><i>Updated Management Response:</i> All vendors that entered into Munis have EIN/SS# checked against the Vendor file to limit duplication. OOP routinely reviews Vendor entry documentation and existing vendor files when new vendors are entered to limit duplicate vendors being entered into the system. Most “duplicate” vendors currently in system have “STOP” labels that prevent their use by departments or are entered due to MUNIS programmatic limitations, as there may be circumstances where a vendor does business with the City for differently treated taxable situations. No vendor numbers will be deleted from the system, despite inactivity, as the use of the “STOP” effectuates the same result. End users wishing to</p>

**STATUS OF AUDIT RECOMMENDATIONS
AS OF MAY 31, 2020**

Attachment A

Finding	Recommendation	Responsible Department	Status	Remediation Plan
<p>duplicative payments, the process of resolving the duplicate payments had not begun until we notified the departments of the overpayments.</p>				<p>remove a “STOP” must submit documentation explaining the reasoning.</p>
<p>Finding 2: Vendors were not verified prior to set up in Munis. Also, the Vendor Master File was not periodically reviewed.</p> <p><i>Finding Detail:</i> All vendors are required to provide a completed and signed Form W-9 before setup in Munis. However, such information on the W-9 is not verified. Without such verification, there is a risk of setting up invalid vendors, and therefore creating opportunities for fraud. We noted that periodic reviews of the Vendor Master File data were not being performed. The OP is aware of this issue. Based on our review of the Vendor Master File, we noted 7,136 (or 41%) active vendors with no payment activity for the preceding five years that potentially should have been classified as inactive. We also noted that the Vendor Master File contained 381 vendors with different vendor numbers but the same tax identification numbers. Failure to regularly maintain and review vendor file data increases the chances for duplicate and erroneous payments (see Finding 1) and fraud.</p> <p><i>Updated Finding Detail:</i> We reviewed the Vendor Master File as of May 31, 2020 and noted that there were 135 vendors with different vendor numbers but the same tax identification numbers.</p>	<p>We recommend that the OP update its standard operating procedures to the recommendations from Finding 1.</p>	<p>Office of Procurement</p>	<p>In Process</p>	<p><u>Office of Procurement</u></p> <p><i>Updated Management Response:</i> See response in Finding 1.</p>
<p>Finding 3: Inappropriate individuals were granted edit rights to the Vendor Master File.</p> <p><i>Finding Detail:</i> We noted 22 individuals from various departments outside of the OP had edit rights to the Vendor Master File, including two employees who no longer work in the OP and one separated employee. These departments included the Springfield Public Schools (SPS) Business Office, the Comptroller’s Office, the OMB, the Office of Internal Audit, the Legal department, the Parks, Buildings and Recreation</p>	<p>We recommend that the OP work collaboratively with the IT department on the following:</p> <ul style="list-style-type: none"> • Limit edit rights to the Vendor Master File to only those authorized employees in the OP; • Grant read-only rights to the Vendor Master File to authorized 	<p>Office of Procurement Office of Procurement</p>	<p>Partially Implemented Implemented</p>	<p><u>Office of Procurement</u></p> <p><i>Updated Management Response:</i> The OOP has now limited the vendor file to “read only” to anyone outside of OOP with the exception of one monitored Comptroller Employee tasked with Veteran File updates. OOP will monitor and audit any changes made by this employee regularly and accepts any risk as acceptable. Additional trainings and “how-tos” are on-going. OOP is now fully staffed and</p>

**STATUS OF AUDIT RECOMMENDATIONS
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Finding	Recommendation	Responsible Department	Status	Remediation Plan
<p>Management (PBRM) department, and the Information Technology (IT) department. The OP should be the only department with edit rights to the Vendor Master File; and authorized employees outside of the OP should be granted read-only rights to the Vendor Master File.</p> <p>Also, granting access to the Vendor Master File to the SPS Business Office, the Comptroller’s Office, and the OMB employees creates a segregation of duties risk. Employees from the SPS Business Office and the Comptroller’s Office can create and approve invoices and add/delete vendors. Likewise employees from the OMB can approve purchases and add/delete vendors. These conflicting duties increase the risk that unauthorized payments could be processed and go undetected.</p> <p><i>Updated Finding Detail:</i> We noted seven individuals outside of the OP had edit rights to the Vendor Master File, including three from the Comptroller’s office, one from the OMB, one employee who no longer works in OP, and two separated employee.</p>	<p>employees outside of the OP;</p> <ul style="list-style-type: none"> Establish workflow rules in Munis alerting the Chief Procurement Officer or her designee of any changes to the Vendor Master File; and Update the user access information regularly and upon changes in any key OP personnel. 	<p>Office of Procurement</p> <p>Office of Procurement</p>	<p>Will Not Implement</p> <p>In Process</p>	<p>a single position in responsible for data entry into the vendor file with management oversight.</p>
<p>Finding 4: The draft Proper Municipal Expenditure policy is not codified and implemented.</p> <p><i>Finding Detail:</i> We noted that there is a draft Citywide Municipal Expenditure policy prepared by the Office of Management and Budget, the Office of Procurement, and the Comptroller’s Office that defines proper municipal purchases. However, we noted that such policy has neither been codified by the City Council nor disseminated to departments for implementation. Without a uniform guide to define allowable and proper municipal purchases, departments are left to interpret the propriety of purchases which could result in inappropriate expenditures, e.g., purchases that are deemed to be personal.</p>	<p>We recommend that the Comptroller’s Office perform the following:</p> <ul style="list-style-type: none"> Propose the Citywide Proper Municipal Expenditure policy to the Mayor and the City Council for codification; Once codified, disseminate the policy to departments for implementation; and Provide training to departments on the policy. 	<p>Comptroller</p>	<p>In Process</p> <p>In Process</p> <p>In Process</p>	<p><u>Comptroller</u></p> <p><i>Updated Management Response:</i> The Comptroller's Office and the Office of Procurement have developed a training program for both the City and School Departments. This training has been very successful and well received by the departments that have attended the sessions. The training session includes a detailed section on "Proper Municipal Expenditures" and includes the draft policy. Management at this time has not moved forward with formally adopting and codifying the final policy. The Comptroller's Office will revisit the conversation with the CAFO and City Solicitor on the need to have these policies formally adopted by the Mayor and City Council.</p>

**STATUS OF AUDIT RECOMMENDATIONS
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Attachment A

Finding	Recommendation	Responsible Department	Status	Remediation Plan
Life Insurance Benefit Audit				
<p>Finding 5: The Benefits department did not reconcile the information contained in the Guardian invoices to the information contained in the City’s accounting system, MUNIS, and other data sources (Springfield Retirement, MTRS, and Springfield Water and Sewer).</p>	<p>Work collaboratively with the City’s IT department to establish technology driven, proactive, periodic reconciliation procedures, ensuring data in Guardian and MUNIS is consistent. Variances and/or discrepancies should be timely investigated. Specifically, reconciliation procedures should be performed after the invoice’s issuance but prior to the due date for the invoice. For each period examined, all components should be assembled such as employee setup data, vendor invoice and coverage data, payroll and pension deductions, and other relevant data. The data will need to be modified to facilitate comparison and then the following can be determined and variances isolated:</p> <ul style="list-style-type: none"> • Are eligible employees set up in MUNIS properly enrolled with Guardian? • Do the setup and deduction amounts match the invoiced benefit coverage amounts and premiums? 	Benefits	In Process	<p><u>Insurance Director</u> <i>Updated Management Response:</i></p> <p>The dept. agrees with the auditor’s recommendation. In collaboration with the Budget Office, reconciliation techniques have been implemented and continues to be an ongoing process for improvement.</p>

**STATUS OF AUDIT RECOMMENDATIONS
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Finding	Recommendation	Responsible Department	Status	Remediation Plan
	<ul style="list-style-type: none"> • Do the setup and billed amounts to Springfield Water and Sewer match MUNIS and invoiced amounts by Guardian? • Do projected retiree amounts agree with deduction amounts per Springfield Retirement and the MTRS? 			
Finding 6: The HR department lacked management oversight over the City's life insurance benefit program.	We recommend that HR management oversight be exercised over the life insurance benefit program by regularly reviewing reconciliations and monitoring adherence to operating procedures.	Benefits	Not Implemented – N/A	<u>Insurance Director</u> <i>Updated Management Response:</i> As a result of the auditor's initial findings, the Employee Benefits Office is now a separate dept. within the City's Division of Administration & Finance; reporting directly to the Chief Administrative & Financial Officer. The dept. no longer reports to HR Management.
Finding 7: Written operating procedures were outdated and ineffective.	We recommend that the Benefits department develop and/or update its operating procedures and incorporate the recommendations made throughout this report.	Benefits	In Process	<u>Insurance Director</u> <i>Updated Management Response:</i> The dept. agrees with the auditor's recommendations and operating procedures continue to be updated and created as necessary. This continues to be an ongoing process goal for the dept.
Finding 8: The City's life insurance contract with Guardian was unable to be located by the HR or Benefits department.	<p>If the contract cannot be located, then we recommend a new replacement agreement be executed.</p> <p>The full original contract and any renewals should go through the City's normal contract process, including signatures and custody of the contract by the</p>	Benefits	Implemented	

**STATUS OF AUDIT RECOMMENDATIONS
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Finding	Recommendation	Responsible Department	Status	Remediation Plan
	Comptroller's office. Benefits should enter an annual requisition that references/links the current Guardian contract in MUNIS. Invoices for Guardian life insurance premium expenditures should be processed against the related purchase order.			
Finding 9: The City's agreement with legacy Springfield Water and Sewer employees could not be located by the HR or Benefits department.	If an agreement is not ultimately located regarding life insurance coverage for legacy Water and Sewer employees, then we recommend that a new formal agreement be developed and signed by both the City and the Water and Sewer Commission to document the agreed arrangement.	Benefits	In Process	<u>Insurance Director</u> <i>Updated Management Response:</i> The dept. agrees with the auditor's contract recommendation. This continues to be an ongoing process goal for the Employee Benefits Office.
Finding 10: There were instances where Guardian members were unable to be located in MUNIS. <i>Original Finding Detail:</i> There were two Guardian members found with 28 instances where the member identification number per the Guardian Invoice could not be located by name or by social security number in MUNIS. The potential overpayment to Guardian was \$1,011.78. <i>Updated Finding Detail:</i> No findings for audit period 9/2018 - 12/2019.	Guardian members that cannot be located in MUNIS should be researched and ultimately stricken from the City's plan.	Benefits	Implemented	

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Finding	Recommendation	Responsible Department	Status	Remediation Plan
<p>Finding 11: Some employee and retiree social security numbers in MUNIS were not an exact match of member identification numbers per the Guardian invoice.</p> <p><i>Original Finding Detail:</i> 17 employees with 152 instances and four retirees where the member identification numbers per the Guardian invoice did not match the corresponding social security number in MUNIS.</p> <p><i>Updated Finding Detail:</i> 13 employees during 9/2018 - 12/2019 audit period (four of those outstanding from last audit); 90 total instances.</p>	<p>We recommend that Benefits develop formal processes that include checklists and supervisory reviews to ensure data is entered correctly in MUNIS, Guardian, and with retirement agencies for new employees/members.</p> <p>Data integrity issues such as typographical errors on social security numbers and names should be routinely monitored and corrected. We suggest that Benefits work collaboratively with the City's IT department to develop queries that can aid in catching potential social security number discrepancies.</p>	Benefits	In Process	<p><u>Insurance Director</u> <i>Updated Management Response:</i></p> <p>The Employee Benefits Dept. agrees with the auditor's findings and the importance of data integrity. In collaboration with the Budget Office, reconciliation techniques have been implemented and continues to be an ongoing process for improvement.</p>
<p>Finding 12: There were Guardian members that had a deceased code in MUNIS.</p> <p><i>Original Finding Detail:</i> Six employees were found or 55 instances where premiums were charged by Guardian for members having a deceased code in MUNIS. The potential overpayment to Guardian was \$385.94.</p> <p><i>Updated Finding Detail:</i> 104 members with a Deceased status in MUNIS during 9/2018 - 12/2019 audit period; 166 total instances; potential overpayment to Guardian \$1,107.56.</p>	<p>We suggest that Benefits develop a process for identifying employees/retirees that are deceased and for notifying Guardian of the same. The notifications to Guardian should be reviewed for accuracy and to ensure invoices are corrected.</p>	Benefits	In Process	<p><u>Insurance Director</u> <i>Updated Management Response:</i></p> <p>The dept. agrees with the auditor's initial findings and internal processes have been set up to identify employees/retirees that are deceased in order to minimize inaccuracies.</p>
<p>Finding 13: There were potential date of birth data entry issues or incomplete employee data.</p>	<p>We recommend that Benefits develop formal</p>	Benefits	In Process	<p><u>Insurance Director</u> <i>Updated Management Response:</i></p>

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Finding	Recommendation	Responsible Department	Status	Remediation Plan
<p><i>Original Finding Detail:</i> In the prior audit we noted that one member was still receiving coverage at the age of 112 which potentially could have been correct but more likely was a potential data error issue. Therefore, we extracted members that were over a subjectively chosen age, 100, and asked Benefits to verify the members' dates of birth, termination dates, and coverages. 13 Guardian members with Basic coverage that were over the age of 100. Although this in itself is not problematic, it could indicate potential data entry or coverage errors. The potential overpayment to Guardian was \$1,226.68.</p> <p><i>Updated Finding Detail:</i> 17 Guardian members over the age of 100 during audit period (one from last audit). Potential overpayment to Guardian of \$638.76.</p>	<p>processes that include checklists and supervisory reviews to ensure birth data is entered correctly in MUNIS, Guardian, and with retirement agencies for new employees/members.</p> <p>We suggest that Benefits work collaboratively with the City's IT department to develop queries that can aid in catching potential date of birth discrepancies.</p>			<p>The dept. agrees with the auditor's initial findings and our office continues to improve on internal processes and reconciliation practices to minimize errors.</p>
<p>Finding 14: There were Guardian members classified as active employees (i.e. "Class 1") that had a retired status in MUNIS. The dates were missing from MUNIS records to confirm some of the members. For Basic coverage, retiree premiums are higher than active employee premiums. Therefore, this misclassification results in a potential underpayment of premiums to Guardian from the City.</p> <p><i>Original Finding Detail:</i></p> <ul style="list-style-type: none"> • 2,061 instances where active employees (i.e. "Class 1" Guardian members) were noted in MUNIS as retired [approximately 147 employees per month]. The potential underpayment to Guardian was \$6,480.44. • We found six employees with 84 instances where Class 1 active rates were invoiced by Guardian but the employees were noted as retired in MUNIS. There were no inactive, terminated or pension dates entered in MUNIS for these employees. Therefore, the designation of retired may or may not be accurate and should be researched to ensure the amounts paid to Guardian are correct. The 	<p>Formal consistent processes and clear use of dates in designated fields for retired employees are needed. These dates should be reviewed, updated, and monitored/tested for accuracy.</p> <p>We recommend that Benefits research and correct any current misclassifications and complete missing dates (pension dates, etc.).</p>	Benefits	In Process	<p><u>Insurance Director</u> <i>Updated Management Response:</i></p> <p>Based on the auditor's initial findings, the Employee Benefits Dept. continues to research and correct misclassifications and update dates as necessary.</p>

**STATUS OF AUDIT RECOMMENDATIONS
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Finding	Recommendation	Responsible Department	Status	Remediation Plan
<p>potential underpayment by the COS to Guardian was \$292.32.</p> <p><i>Updated Finding Detail:</i></p> <ul style="list-style-type: none"> Approximately 131 members per month (118 from prior audit); 2,098 total instances where active employees in Guardian were classified as retired in MUNIS; potential underpayment to Guardian of \$7,393.20. 6 members; 12 total instances where active Guardian members are noted as retired in MUNIS but there are missing dates to be able to verify. The potential underpayment by the COS to Guardian is \$41.76. 				
<p>Finding 15: There were Guardian members classified as retirees (i.e. either “Class 2” or “Class 3”) that had inconsistent or missing data in MUNIS to indicate the employees were actually retired.</p> <p><i>Original Finding Detail:</i></p> <ul style="list-style-type: none"> 26 employees and 336 instances where Class 2 or Class 3 Guardian members with Basic coverage did not have designations in MUNIS to indicate they were retired. The potential overpayment to Guardian was \$1,169.28 There are at least 17 retirement related codes within the MUNIS Employee Master tables. <p><i>Updated Finding Detail:</i></p> <ul style="list-style-type: none"> 25 members during audit period (16 of those were also on last audit); 315 total instances; overpayment to Guardian of \$1,351.80 assuming all are not retired. There are still at least 17 retirement related codes within the MUNIS Employee Master tables. 	<p>Formal consistent processes and a clear use of codes, dates, and job classes for retired, terminated or inactive employees are needed. These codes and dates should be reviewed, updated, and monitored for accuracy. Duplicative or redundant retirement codes should be consolidated into one or a few key codes as determined by Benefits/HR.</p> <p>We recommend that Benefits research and correct any current inconsistent or missing data.</p> <p>Future records should be routinely monitored and corrected with potential collaboration with the IT department.</p>	Benefits	In Process	<p><u>Insurance Director</u></p> <p><i>Updated Management Response:</i></p> <p>Based on the auditor’s initial findings, the Employee Benefits Dept. continues to correct inconsistent or missing data as necessary. In collaboration with the Budget Office, monthly reconciliation processes have been implemented and ongoing.</p>

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Finding	Recommendation	Responsible Department	Status	Remediation Plan
<p>Finding 16: Some active Guardian members were coded as terminated in MUNIS.</p> <p><i>Original Finding Detail:</i></p> <ul style="list-style-type: none"> • 97 employees with 685 instances where active Basic and Supplemental employees (i.e. “Class 1” Guardian members) were noted in MUNIS as terminated [approximately 49 employees per month]. The potential overpayment to Guardian was \$13,042.69. • 13 employees with 72 instances with active life insurance payroll deductions shown in MUNIS as terminated. There was no monetary impact for these 13 employees as no deductions were made to their payroll. • Five Guardian retiree Basic members or 56 instances where the MUNIS records contained termination codes. These retirees did not have pension deductions for life insurance. The potential overpayment to Guardian was \$377.44 • One Guardian retiree Supplemental member with two instances with premium deductions, but shown in MUNIS as terminated. The potential overpayment to Guardian was \$118.08. <p><i>Updated Finding Detail:</i></p> <ul style="list-style-type: none"> • 109 employees during audit period (none from last audit); 258 total instances where active Basic and Supplemental employees were noted in MUNIS as terminated, potential overpayment to Guardian of \$5,033.88. • 13 employees during audit period (6 from prior audit), with active life insurance payroll deductions shown in MUNIS as terminated; no monetary impact as it is assumed these are typographical errors or timing issues. • Three retirees during audit period (none from last audit); 11 total instances where the MUNIS records 	<p>Formal consistent processes and clear use of codes and dates in designated fields for terminated employees are needed. These dates should be reviewed, updated, and monitored/tested for accuracy.</p> <p>We recommend that Benefits research and correct any current inconsistent or missing data.</p> <p>Future records should be routinely monitored and corrected with potential collaboration with the IT department.</p>	Benefits	In Process	<p><u>Insurance Director</u> <i>Updated Management Response:</i></p> <p><i>Based on the auditor’s initial findings, the Employee Benefits Dept. continues to correct inconsistent or missing data as necessary.</i></p>

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Finding	Recommendation	Responsible Department	Status	Remediation Plan
<p>contained termination codes; potential overpayment to Guardian \$74.50.</p> <p>No findings 9/2018 - 12/2019 related to retired participants on Guardian but noted as terminated in MUNIS.</p>				
<p>Finding 17: Premium rates in open enrollment documentation and set up in MUNIS did not exactly match those of Guardian; incorrect date used by Benefits for moving members into different premium brackets.</p>	<p>The prior Insurance Director discovered numerous setup errors and methodically went through each table to ensure consistency between MUNIS setup tables and current Guardian rates. We recommend that this process be documented, continued, reviewed, and deductions tested for each future renewal term with Guardian.</p> <p>The OIA located MUNIS guidance regarding functionality for the October 1st calculation for milestone age brackets rather than by date of birth that was communicated to Benefits. We recommend that Benefits utilize this functionality as well as testing and monitoring its accuracy for each future renewal year.</p>	Benefits	Implemented	
<p>Finding 18: There were employees with active deduction setup records in MUNIS, but those employees did not have any payroll deductions for life insurance during the analysis period and were also not on the Guardian invoice.</p>	<p>We recommend that Benefits research and correct any current inconsistent or missing data.</p>	Benefits	In Process	<p><u>Insurance Director</u> <i>Updated Management Response:</i></p>

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Finding	Recommendation	Responsible Department	Status	Remediation Plan
<p><i>Original Finding Detail:</i> 62 employees or 328 instances where the employee deduction records were setup to have an active deduction, but there was not a subsequent payroll deduction.</p> <p><i>Updated Finding Detail:</i> 119 employees during audit period (none from prior audit); 1,236 total instances where the employee deduction records were setup to have an active deduction, but there was not a subsequent payroll deduction.</p>	<p>Future records should be routinely monitored and corrected with potential collaboration with the IT department.</p>			<p>The dept. agrees with the auditor's initial findings and internal processes have been changed to ensure payroll deduction accuracy with retirement offices. Previous practice, pdf forms completed, scanned, and forwarded to City Retirement/MTRS electronically entered online by a Benefits staff member. Pdf forms have been replaced by an excel spreadsheet that is routinely monitored and compared against the City Retirement payroll to verify accuracy. MTRS is still entered electronically but is now checked for accuracy routinely as well.</p> <p>Our office will continue to make the necessary corrections based on the auditor's findings.</p>
<p>Finding 19: Some employee Supplemental insurance coverage amounts in MUNIS were not equal to the coverage amounts per Guardian.</p> <p><i>Original Finding Detail:</i> 16 employees with 171 instances of differing coverage amounts. The potential underpayments to Guardian were \$2,963.43 and potential overpayments were \$2,998.54.</p> <p><i>Updated Finding Detail:</i> 29 employees during audit period; 118 total instances of differing coverage amounts; potential overpayments to Guardian \$291.75.</p>	<p>Differing volume amounts recorded in MUNIS and with Guardian should be researched and harmonized with corresponding corrections to employee premiums withheld.</p> <p>Future records should be routinely monitored and corrected with potential collaboration with the IT department.</p>	Benefits	In Process	<p><u>Insurance Director</u> <i>Updated Management Response:</i></p> <p>The Employee Benefits Dept. agrees with the auditor's findings. In collaboration with the Budget Office, reconciliation practices have been implemented and continues to be an ongoing process for improvement. Coverage amounts are being corrected as found during monthly reconciliation processes and through the auditor's findings.</p>
<p>Finding 20: Some employees/retirees had payroll/pension deductions for life insurance during the analysis period but were not on the Guardian invoices as members.</p> <p><i>Original Finding Detail:</i></p> <ul style="list-style-type: none"> • 22 employees with 114 instances where active Basic life insurance premiums were deducted from payroll but were not on Guardian invoice. The potential underpayment was \$371.64. • 13 Active Supplemental employees with 77 instances where premiums were withheld from payroll, but 	<p>We recommend that Benefits research and correct any current inconsistent or missing data.</p> <p>Future records should be routinely monitored and corrected with potential collaboration with the IT department.</p>	Benefits	In Process	<p><u>Insurance Director</u> <i>Updated Management Response:</i></p> <p>Based on the auditor's initial findings, the Employee Benefits Dept. continues to correct inconsistent or missing data as necessary.</p>

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<p>were not on Guardian invoice. The potential underpayment to Guardian was \$4,021.00.</p> <ul style="list-style-type: none"> • 93 retirees with 1,073 instances where Basic premiums were withheld from pensions, but were not on Guardian invoice. The potential underpayment to Guardian was \$7,232.02. • 24 retirees with 191 instances where Supplemental premiums were withheld from pensions, but were not on Guardian invoice. The potential underpayment to Guardian was \$6,202.38. <p><i>Updated Finding Detail:</i></p> <ul style="list-style-type: none"> • 69 employees during audit period (none from prior audit); 100 total instances where active Basic life insurance premiums were deducted from payroll but were not on Guardian invoice.; potential underpayment by the COS to Guardian \$188.24. • 49 employees during audit period (three from prior audit); 94 total instances where premiums were withheld from payroll, but were not on Guardian invoice; potential underpayment by the COS to Guardian \$3,388.28. • 108 employees during audit period (58 from prior audit); 1,073 total instances where Basic premiums were withheld from pensions, but were not on Guardian invoice; potential underpayment to Guardian \$7,278.10. • 38 employees during audit period (six from prior audit); 173 total instances where Supplemental premiums were withheld from pensions, but were not on Guardian invoice; potential underpayment to Guardian \$5,526.42. 				
<p>Finding 21: Supplemental coverage for Guardian members was not administered correctly by Benefits for retirees over the age of 75.</p>	<p>We suggest that Benefits work collaboratively with the City’s IT department to develop queries that can aid in identifying and projecting</p>	<p>Benefits</p>	<p>In Process</p>	<p><u>Insurance Director</u> <i>Updated Management Response:</i></p> <p>Based on the auditor’s initial findings, the Employee Benefits Dept. continues to monitor retirees turning</p>

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<p>Original Finding Detail:</p> <ul style="list-style-type: none"> We found 31 retirees with 102 instances of appearing on the Guardian invoices with Supplemental coverage, although the members were over the age of 75. The potential overpayment to Guardian was \$6,056.46. There were nine retirees with 49 instances where Supplemental retirees' premiums were withheld from their pensions, but the retirees were not on the Guardian invoices. The potential overpayment to the City by retirees was \$1,769.66. <p>Updated Finding Detail:</p> <ul style="list-style-type: none"> No findings 9/2018 - 12/2019 related to retirees appearing on the Guardian invoice with Supplemental coverage, although the member was over the age of 75. 16 employees during audit period (none from last audit); 64 total instances where Supplemental retirees' premiums were withheld from their pensions, but the retirees were not on the Guardian invoices; potential overpayment to COS by retirees \$2,064.00. 	<p>which retirees are reaching this milestone age.</p> <p>A process for timely notifications to the retiree and to Guardian should be developed and the process reviewed for accuracy.</p>			75 years of age and updating Guardian and payroll accordingly. Corrections will continue to be ongoing.
<p>Finding 22: There is one employee that had Supplemental insurance coverage but not Basic coverage.</p> <p>Original Finding Detail: The total underpayment to Guardian was \$39.12.</p> <p>Updated Finding Detail: 2 employees during audit period; 1 in last month of audit period (none from last audit); 11 total instances; underpayment by employee and COS \$17.93 each; total underpayment to Guardian \$35.86.</p>	<p>This employee is no longer employed with the City. We recommend that Benefits develop a procedure to routinely monitor future records to identify this same type of inconsistency.</p>	Benefits	In Process	<p><u>Insurance Director</u> <i>Updated Management Response:</i></p> <p>The Employee Benefits Dept. continues to routinely monitor inconsistencies and update accordingly based on the auditor's recommendations and findings.</p>
<p>Finding 23: Some Guardian members' Voluntary term life coverage amounts did not equal the Voluntary AD&D coverage amounts.</p>	<p>We recommend that Benefits research and correct any current inconsistent or missing data.</p>	Benefits	In Process	<p><u>Insurance Director</u> <i>Updated Management Response:</i></p>

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<p><i>Original Finding Detail:</i> 8 employees or 100 instances. The potential underpayment to Guardian was \$405.00.</p> <p><i>Updated Finding Detail:</i> 15 employees during audit period; 50 total instances; potential underpayment to Guardian \$288.75.</p>	<p>Future records should be routinely monitored and corrected with potential collaboration with the IT department.</p>			<p>The Employee Benefits Dept. continues to routinely monitor inconsistencies and update accordingly based on the auditor's recommendations and findings.</p>
<p>Finding 24: Some retiree premiums were calculated incorrectly by Guardian.</p> <p><i>Original Finding Detail:</i> 69 instances where the retiree portion was invoiced incorrectly by Guardian at \$3.35 each versus \$3.37.</p> <p><i>Updated Finding Detail:</i> 26 instances during audit period.</p>	<p>We recommend that Benefits research and correct any current inconsistent or missing data. Future records should be routinely monitored and corrected with potential collaboration with the IT department.</p>	Benefits	In Process	<p><u>Insurance Director</u> <i>Updated Management Response:</i></p> <p>The Employee Benefits Dept. agrees with the auditor's findings. In collaboration with the Budget Office, monthly reconciliation practices have been implemented. Correcting inconsistencies and missing data is ongoing within the dept.</p>
<p>Finding 25: Some Guardian calculated premium amounts appear to have been calculated incorrectly.</p> <p><i>Original Finding Detail:</i></p> <ul style="list-style-type: none"> • Nine employees with 48 instances where premium amounts for Guardian members with Basic coverage did not match COS posted rates. The potential overpayment to Guardian was \$302.33. • Five employees in August 2018 with Supplemental coverage but where Guardian premium amounts did not match amounts as calculated by the OIA. The potential overpayment to Guardian was \$62.74. <p><i>Updated Finding Detail:</i></p> <ul style="list-style-type: none"> • Nine employees during audit period (three from last audit); 18 total instances where Active coverage amounts did not match COS posted rates. The potential overpayment to Guardian was \$3.56. • Five employees in December 2019 where Supplemental Guardian premium amounts did not 	<p>We recommend that Benefits research and correct any current inconsistent or missing data. Future records should be routinely monitored and corrected with potential collaboration with the IT department.</p>	Benefits	In Process	<p><u>Acting Insurance Director</u> <i>Updated Management Response:</i></p> <p>The Employee Benefits Dept. continues to routinely monitor inconsistencies and update accordingly based on the auditor's recommendations and findings.</p>

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match amounts as calculated by the OIA; potential overpayment to Guardian \$126.60.				
<p>Finding 26: Retirees were slightly overcharged for Basic Life Insurance.</p> <p><i>Original Finding Detail:</i> 28,438 instances where retirees paid \$3.40 instead of \$3.37. Retirees were overcharged by \$855.21.</p> <p><i>Updated Finding Detail:</i> All retiree rates were incorrect Sep 2018 - Oct 2019; City was charging retirees \$3.40 [*2 = \$6.80]. Correct rates were withheld Nov 2019-Dec 2019 \$3.55 [*2 = \$7.10]. Retirees have overpaid the City \$830.28 during the audit period. No instances noted at the end of the audit period.</p>	<p>We recommend that Benefits work collaboratively with City Retirement and MTRS offices to correct the amounts withheld by ensuring they match current Guardian rates.</p> <p>Future records should be routinely monitored and corrected with potential collaboration with the IT department.</p>	Benefits	Implemented	<p>Insurance Director <i>Updated Management Response:</i></p> <p>Based on the auditor’s initial findings, the Employee Benefits Dept. is updating City Retirement and MTRS every October to ensure rates are in line with current Guardian billing rates.</p>
<p>Finding 27: Some Guardian members did not have payroll/pension deductions for life insurance premiums.</p> <p><i>Original Finding Detail:</i></p> <ul style="list-style-type: none"> • 935 employees or 2,442 instances where employees were on the Guardian invoice with active Basic coverage; however, premiums were not withheld from payroll. The potential overpayment was \$7,960.92. • 463 active Supplemental members with 1,112 instances where employees were included on the invoices but premiums were not withheld from payroll. The potential overpayment to Guardian was \$35,852.89. • 310 Basic retiree members or 2,333 instances where retirees were included on the invoices but premiums were not withheld from their pensions. The potential overpayment to Guardian was \$15,724.42. • 37 Supplemental retirees with 191 instances where retirees were included on the invoices but premiums 	<p>We recommend that Benefits research and correct any current inconsistent or missing data.</p> <p>Future records should be routinely monitored and corrected with potential collaboration with the IT department.</p>	Benefits	In Process	<p>Insurance Director <i>Updated Management Response:</i></p> <p>The Employee Benefits Dept. agrees with the auditor’s findings. In collaboration with the Budget Office, monthly reconciliation practices have been implemented. Correcting inconsistencies and missing data is ongoing within the dept.</p>

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<p>were not withheld from their pensions. The potential overpayment was Guardian \$9,384.36.</p> <p><i>Updated Finding Detail:</i></p> <ul style="list-style-type: none"> • 447 employees during audit period (ten from prior audit), 1,149 total instances where the City paid premiums and the employee did not. The potential overpayment to Guardian is \$3,745.74. • 211 employees during audit period (four from prior audit); 534 total instances where the City paid premiums and the employee did not. The potential overpayment to Guardian is \$17,791.08. • 261 employees during audit period (119 from prior audit); 2,247 total instances where retirees were included on the invoices but premiums were not withheld from their pensions; potential overpayment to Guardian is \$15,251.70. • 25 retirees during audit period (four from prior audit); 134 total instances where retirees were included on the invoices but premiums were not withheld from their pensions. Assuming they should not be on the plan, potential overpayment to Guardian is \$8,174.53. 				
<p>Finding 28: The City had not been collecting AD&D premiums for Active employees with Supplemental coverage.</p> <p><i>Original Finding Detail:</i> 508 active employees or 5,516 instances where the Supplemental premium was collected, but the AD&D premium was not collected. The potential underpayment to the COS by employees was \$24,423.94.</p> <p><i>Updated Finding Detail:</i> No findings 9/2018 - 12/2019</p>	<p>We recommend that Benefits research and correct these current erroneous payroll deductions.</p> <p>Future records should be routinely monitored and corrected with potential collaboration with the IT department.</p>	Benefits	Implemented	<p><u>Insurance Director</u> <i>Updated Management Response:</i></p> <p>Based on the auditor’s initial findings, the Employee Benefits Dept. updated the Deduction Life Table in Munis software to include AD&D premiums for Active Employees with Supplemental coverage.</p>
<p>Finding 29: There are Water and Sewer reimbursements to the City that were not paid at current Guardian rates.</p>	<p>We recommend that Benefits develop a consistent process for coding</p>	Benefits	Implemented	<p><u>Insurance Director</u> <i>Updated Management Response:</i></p>

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<p><i>Original Finding Detail:</i> Guardian billed the City approximately \$6,214.88. The Commission reimbursed the City \$2,747.45 for a potential underpayment of \$3,467.43.</p> <p><i>Updated Finding Detail:</i> Not retested; the OIA is aware of the collaborative reconciliation performed by Benefits and Comptrollers.</p>	<p>the affected employees in MUNIS as well as determining the authenticity of the members, i.e., whether they are still employed at the Water and Sewer Commission and verifying employee personal information and coverage with Guardian. Premium amounts and reimbursements should be updated and reconciled to ensure accuracy. Any anomalies such as unusual amounts or missing remittances should be timely investigated.</p>			<p>The Employee Benefits Dept. continues to communicate with the Water and Sewer Commission to update rates and keep employee data consistent.</p>
<p>Finding 30: HR is currently creating duplicate employee records for some employees and also for retirees in the City's accounting system.</p> <p><i>Original Finding Detail:</i> We found 195 employees with a second record and 25 with three master records.</p> <p><i>Updated Finding Detail:</i> Testing was repeated for employees having more than two employee master records. 27 employees have three employee master records (25 from prior audit) and one has four records.</p>	<p>We recommend that the HR and Benefits departments develop a process for correcting existing duplicate employee master records and entering future records that ensures each is unique, accurate, and consistent.</p> <p>The Benefits department should consider contracting with Tyler Technologies to obtain a short term onsite MUNIS consultant that is proficient in the Human Resources/Payroll module to:</p> <ul style="list-style-type: none"> • observe current processes, how MUNIS is currently used in the Benefits 	Benefits	In Process	<p><u>Insurance Director</u> <i>Updated Management Response:</i></p> <p>The Employee Benefits Dept. agrees with the auditor's findings. Virtual training was completed with Munis HR/Payroll module consultant for an overall review of the module. A more in-depth training is required to update internal practices to streamline our current processes. The dept. is currently researching cost of more training with Munis.</p>

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	<p>department, and advise the department as to best practices</p> <ul style="list-style-type: none"> • identify where MUNIS functionality can be optimized or where the addition of more data fields may be needed • discuss options for filtering enrollee records, tracking adjustment requests, creating custom reports, tracking/projecting retiree participation • identify additional modules, upgrades, or training that may be needed to achieve recommendations. 			
<p>Finding 31: There are numerous name discrepancies between various sources of employee and retiree data; naming conventions are not streamlined or reviewed for accuracy.</p> <p><i>Updated Finding Detail:</i> The prior general finding and recommendations still apply. A few specific discrepancies discovered during testing were communicated to the prior Benefits Director and those are still outstanding and have been communicated to the new Acting Director.</p>	<p>The Benefits department should establish a naming convention to be utilized across data sets and correct current inconsistencies. Consistent, complete, and organized data will aid in developing a robust reconciliation process. Harmonized information is needed between MUNIS, Guardian, Springfield Retirement, MTRS, and Water and Sewer data.</p> <p>A process should also be developed for secondary reviews of key tasks and of</p>	Benefits	In Process	<p><u>Insurance Director</u> <i>Updated Management Response:</i></p> <p>Based on the auditor’s initial findings, the dept. is dedicated to establishing “best practices” to minimize inconsistencies in employee and retiree data. Process improvements are ongoing at this time.</p>

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	data entered to mitigate discrepancies and to ensure data integrity.			
<p>Finding 32: Dependent and spousal records in MUNIS were observed to be inconsistent, duplicative, and missing.</p> <p><i>Updated Finding Detail:</i> The prior general finding and recommendations still apply.</p>	<p>Benefits should develop a process for ensuring the integrity of dependent and spousal data. Data discrepancies that are identified should be addressed.</p> <p>The functionality of currently unused fields within the module should be discussed with the MUNIS consultant (see recommendation in previous Finding) to determine if this data could be aid in the reconciliation process.</p>	Benefits	In Process	<p><u>Insurance Director</u> <i>Updated Management Response:</i></p> <p>Based on the auditor’s initial findings, the dept. is dedicated to establishing “best practices” to minimize inconsistencies in employee and retiree data. Process improvements are ongoing at this time.</p>
<p>Finding 33: There are users other than the Insurance Director and her staff that have access to modifying life insurance employee deduction setup records.</p> <p><i>Original Finding Detail:</i> 57 employees with permissions enabled to be able to update or delete life insurance deduction records in MUNIS.</p> <p><i>Updated Finding Detail:</i> 42 users with permissions enabled to be able to update or delete life insurance deduction records in MUNIS.</p>	<p>The OIA has identified the roles and users that currently have the ability to update or delete life insurance deduction records. Benefits should work collaboratively with the City’s IT department and with the School department to determine which users should have this permission, and IT should change the role access records accordingly.</p> <p>Benefits should work collaboratively with IT to periodically monitor these</p>	Benefits	In Process	<p><u>Insurance Director</u> <i>Updated Management Response:</i></p> <p>The Employee Benefits Dept. agrees with the initial findings of the auditor. Currently working with the IT Dept. to limit permissions/access to change life insurance deduction records within City and School Dept.</p>

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	granted permissions to ensure unauthorized users have not inadvertently been given access.			