CITY OF SAN ANTONIO

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April 4, 2019

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SUBJECT: Audit Report of Human Resources Department BlueCross BlueShield Contract Compliance Audit

Mayor and Council Members:

We are pleased to send you the final report of the Human Resources Department BlueCross BlueShield Contract Compliance Audit. This audit began in June of 2018 and concluded with an exit meeting with department management in January 2019. Management's verbatim response is included in Appendix B of the report. The Human Resources Department management and staff should be commended for their cooperation and assistance during this audit.

The Office of the City Auditor is available to discuss this report with you individually at your convenience.

Respectfully Submitted,

Kevin W. Barthold, CPA, CIA, CISA
City Auditor
City of San Antonio

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CITY OF SAN ANTONIO

OFFICE OF THE CITY AUDITOR

Audit of Human Resources Department

BlueCross BlueShield Contract Compliance

Project No. AU18-C04

April 4, 2019

Kevin W. Barthold, CPA, CIA, CISA
City Auditor

Executive Summary

As part of our annual Audit Plan approved by City Council, we conducted an audit of the Human Resources (HR) Department, specifically over their compliance with the BlueCross BlueShield (BCBS) contract. The audit objectives, conclusions, and recommendations follow:

Determine if vendor and HR are in compliance with the BlueCross BlueShield contract and HR is adequately monitoring the contract.

BCBS and HR are in compliance with the BCBS contract and HR is adequately monitoring the contract. HR has implemented a contract administration plan (CAP) to monitor the key contract requirements with BCBS. Additionally, BCBS met their performance measures. In addition, we reviewed 13 invoices from April through June of 2018 totaling $22.2 million and determined they were properly supported and approved. Finally, we reviewed the third party administrative (TPA) fee for April through June of 2018 totaling $1.5 million and determined it was properly calculated and HR is monitoring the TPA fee on a monthly basis.

However, we identified areas in need of improvement. Access to the fiscal planning drive, which contains protected health information (PHI), was inappropriate. Additionally, HR was not in compliance with the Health Insurance Portability and Accountability Act (HIPAA) Privacy and Security Policy and Procedure document.

We recommend the Director of Human Resources ensure an annual review occurs of users with access to the fiscal planning shared drive and comply with the Employee Benefits Privacy and Security Policy requirements.

Human Resources Management agreed with the audit findings and has developed positive action plans to address them. Management's verbatim response is in Appendix B on page 6.

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Background

BCBS provides third party administrative (TPA) services for the City's self-funded medical plans, flexible spending account, health savings account, COBRA administration, and preferred provider network. The contract commenced January 1st 2017 and has a value of $5,000,000. It is for a duration of five years with one two-year option to extend. The TPA fee associated with the contract is billed to the City once a month and claims are billed weekly. The TPA fee is billed based on the number of participants and the rate was $34.93 for calendar year (CY) 2017 and $35.98 for CY 2018.

HR is responsible for monitoring the contract with BCBS. A contract monitor uses a contract administration plan (CAP) to monitor all key contract requirements. Key contract requirements include insurance coverage, performance measures, and invoice payments.

Audit Scope and Methodology

The audit scope included HR monitoring processes which included key contract requirements in the BCBS contract for CY 2017 and 2018.

We reviewed the contract with BCBS to gain a better understanding of the key contract requirements. Additionally, we interviewed staff and performed walkthroughs to gain a better understanding of the contract compliance process, invoice payments, the claims analysis process, and HIPAA compliance. Finally, we interviewed staff to gain a better understanding of how access to Blue Insight, Blue Access, and the employee benefits and fiscal planning shared drives is controlled.

We reviewed the CY 2018 CAP to determine if HR was adequately monitoring the key contract requirements. We obtained the performance guarantee settlement reports for CY 2017 to determine if BCBS met their performance measures. We also reviewed thirteen invoices from April through June of 2018 for appropriate documentation, supervisory approval, and if the payment had been accurately recorded in SAP. Additionally, we reviewed the TPA fee to determine if it was correctly calculated. We also obtained the BCBS Claims Analysis spreadsheet for April through June of 2018 to determine if there were any significant variances in the TPA fee. Finally, we obtained the current listing of users for Blue Insight, Blue Access, and the employee benefits and fiscal planning shared drives to determine if user access was appropriate.

Testing criteria included the BCBS contract, the CY 2018 CAP, the HIPAA Privacy and Security Policy and Procedure Document, and AD7-8D Access Control.

We relied on computer-processed data in SAP to determine if invoice payments were accurately recorded in SAP. Our reliance was based on performing direct tests on the data rather than evaluating the system's general and application controls. Our direct testing included tracing the invoice payments into SAP. We do not believe that the absence of testing general and application controls had an effect on the results of our audit.

We conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

Audit Results and Recommendations

A. Contract Monitoring Process

HR has effective contract monitoring procedures in place to ensure compliance with key contractual requirements. HR has established a contract administration plan (CAP) which is used to monitor the contract with BCBS. We reviewed the CY 2018 CAP and determined HR is monitoring the key contract requirements which include performance measures. Additionally, we determined BCBS met their performance measures for CY 2017.

Recommendation

None

B. Invoice Payments

HR has effective procedures in place that ensure invoice payments were supported, properly authorized and recorded. Additionally, the TPA fee was correctly calculated for the invoices. We reviewed thirteen invoices from April through June of 2018 totaling $22.2 million and determined they had appropriate support documentation, were authorized, and were recorded accurately in SAP. Additionally, we recalculated the monthly TPA fee for April through June of 2018 totaling $1.5 million and determined it was calculated correctly. Finally, we determined HR is monitoring the TPA fee on a monthly basis.

Recommendation

None

C. Access to PHI

Access to the fiscal planning shared drive was excessive. We identified 201 users with access to the fiscal planning shared drive, which contains PHI. HR was notified of this during the audit and reduced the number of users to an appropriate number of fourteen.

In addition, 15 of 24 employees who had appropriate access to PHI had not completed the required statement of confidentiality form and 5 of 24 employees with access to PHI had not taken the required HIPAA 101 and 102 trainings.

This is due to HR not monitoring access to PHI. Inappropriate access and lack of employee awareness regarding HIPAA Privacy and Security Policy may result in compromised PHI.

The Employee Benefits HIPAA Privacy and Security Policy and Procedure Document requires that users authorized to view PHI are "individuals who have successfully completed the security training, have a valid confidentiality agreement on file, and have been granted access to confidential information to carry out their assigned duties."

Recommendation

The Director of HR ensure an annual review occurs of users with access to the fiscal planning shared drive and comply with the Employee Benefits Privacy and Security Policy requirements.

Appendix A – Staff Acknowledgement

Buddy Vargas, CIA, CFE, Audit Manager
Douglas Francis, Auditor in Charge
Sophia Konstantinidis, Auditor

Appendix B – Management Response

CITY OF SAN ANTONIO

P.O. Box 839966
SAN ANTONIO TEXAS 78283-3966

February 26, 2019

Kevin W. Barthold, CPA, CIA, CISA
City Auditor
San Antonio, Texas

RE: Management's Corrective Action Plan for Human Resources BlueCross BlueShield Contract Compliance

Human Resources has reviewed the audit report and has completed the Corrective Action Plans below corresponding to report recommendations.

Recommendation					
#	Description	Audit Report Page	Accept, Decline	Responsible Person's Name/Title	Completion Date
1	**Access to PHI** The Director of HR ensure an annual review occurs of users with access to the fiscal planning shared drive and comply with the Employee Benefits Privacy and Security Policy requirements.	4	Accept	Jim Thomas, EB Administrator	2/13/2019

Recommendation					
#	Description	Audit Report Page	Accept, Decline	Responsible Person's Name/Title	Completion Date
ACTION PLAN					
1A	The system access issue has been resolved. Periodic system access reviews are in place. During the audit it was discovered that the HR Fiscal drive housing financial claims data was not appropriately set to block access for Non-HIPAA Covered Workforce members. This access setting was immediately corrected Sept 2018 and HR secure drive access added to our quarterly review process.	4	Accept	Jim Thomas, EB Administrator	9/26/2018
1B	HR staff are in compliance with Employee Benefits Privacy and Security Policy requirements. All HR staff with access to any shared drive containing PHI have completed documented HIPAA certification training. Even though the COSA Group Health Plan is exempt from the State Medical Privacy statute we voluntarily adhere to the more stringent criteria for HIPAA Security and Privacy compliance by requiring all HIPAA Covered Workforce members to sign confidentiality agreements. All members (with the exception of one Fiscal Employee on LOA) have signed confidentiality statements on file.	4	Accept	Jim Thomas, EB Administrator	2/13/2019

We have addressed the recommendations in the audit report and completed the plan of actions presented above.

Lori Steward
Lori Steward
Human Resources Director

3/27/2019
Date

Ben Gorzell
Ben Gorzell Jr., CPA
Chief Financial Officer

3/27/2019
Date

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