



**Williamson County
Auditors' Office
Green Internal
Audit Report**

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**Benefits - Flexible Spending
Account**

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Williamson County Benefits – Flexible Spending Account Audit Report

BACKGROUND:

The Williamson County Human Resources Department is located at 301 S.E. Inner Loop in Georgetown, Texas. The Department is responsible for recruiting for open positions, managing the employment classification and compensation system, employee benefit programs such as medical and dental insurance, administering personnel policy and procedures, and working to resolve employee relations issues.

The Benefits Team performs the benefit administration functions related to all benefits provided by Williamson County. Support includes all self-funded medical, vision, dental, and flexible spending account plans. This also includes basic free group term life, AD&D, voluntary life and long term disability insurance plans. The Employee Assistance Program also falls under this area.

On May 20, 2014 Williamson County entered into a Master Services Agreement (MSA-866349) with Aetna Life Insurance Company for Third Party Administration (TPA) of the County's self-funded employee health benefits plan (Plan). The agreement includes flexible spending account administration services. The agreement was effective as of November 1, 2014 for a three year period. In accordance with terms of the agreement, Aetna has subcontracted with Premier Pension Solutions to provide the flexible spending account administration services. Services provided by Premier Pension Solutions include sending benefits cards to eligible employees, reviewing and processing eligible claims, paying eligible claims, and reporting claims information to the Benefits Team.

A flexible spending account is a plan that allows a participating employee to pay for eligible medical and dependent care expenses on a pre-tax basis. Employees may elect to sign up for flexible spending account health and/or dependent care premium payments during open enrollment, during the new hire process, and/or within 31 days of a qualifying life event. Unused balances at the end of the plan year cannot be carried over into the following plan year.

SCOPE: November 2014 through February 2016

OBJECTIVES: To verify:

- Bank reconciliations are accurately and timely prepared.
- Surplus funds in the medical and dependent care flexible spending accounts at the end of each plan year are calculated and reported timely to the Auditor's Office.
- Third party administrator contract is current and signed.
- Claims paid are only for eligible plan participants.
- Escrow files from payroll are verified to ensure that enrollment deductions are correct.

METHODOLOGY:

- Obtain bank reconciliations
- Review bank reconciliations
- Review interest transfers
- Review Claim Benefits Account Balance Summary report
- Review third party administrator contracts
- Compare participants in claims report to the payroll escrow report
- Compare payroll deductions to employee flexible spending account annual election

Work Performed

Bank Reconciliations	
Criteria:	Bank reconciliations are accurately and timely prepared.
Condition:	Union State Bank and Wells Fargo flexible spending account bank reconciliations were accurately and timely prepared.

Seed Money for Flexible Spending Account	
Criteria:	Surplus funds in the medical and dependent care flexible spending accounts at the end of each plan year are calculated and reported timely to the Auditor's Office.
Condition:	The surplus funds in the medical and dependent care flexible spending accounts were calculated and reported timely to the Auditor's Office for the following plan years: <ul style="list-style-type: none">- November 1, 2014 through October 31, 2015- November 1, 2015 through December 31, 2015

Health Insurance Contract	
Criteria:	Third party administrator contract is current and signed.
Condition:	The master services agreement with Aetna Life Insurance Company for Third Party Administration of the County's self-funded employee health benefits plan was effective as of November 1, 2014 for a three year period. The agreement includes flexible spending account administration services. The agreement was signed by Aetna and Williamson County.

Claims Paid for Eligible Employees	
Criteria:	Claims paid are only for eligible plan participants.
Condition:	<p>All submitted claims during the review period of November 1, 2014 through February 29, 2016 went through the eligibility verification process to ensure that claims were paid only for eligible Flexible Spending Account (FSA) plan participants.</p> <p>The policies and procedures documents for flexible spending accounts, which are titled "HR Procedure: FSA Premier Daily Claims" and "HR Procedure: FSA Claims Payment Process Overview," address controls that mitigate risk. The controls include updating the list of eligible plan participants and contribution amounts that Premier Pension Solutions uses before paying claims; verifying that all FSA claims paid by Premier Pension Solutions are for eligible plan participants only; communicating to Premier Pension Solutions any exceptions for paid claims; and reconciling claims transactions to bank statements. It was verified during the audit that the controls are performed by Human Resources staff.</p>

Payroll Validation	
Criteria:	Escrow files from payroll are verified to ensure that enrollment deductions are correct.
Condition:	Reviewed all processes and documents relating to the verification of escrow files from payroll, including the Human Resources policies and procedures document titled "FSA Claim Payment Process Overview." The processes include payroll making an escrow file available to the Benefits Team each pay period which provides the amounts deducted from each employee statement of earnings; the Benefits Team pulling Oracle reports to verify if all enrollment deductions were correct; and the Benefits Team researching/communicating differences. It was verified during the audit that the payroll validation processes are performed by the Benefits Team.