

Pension, Payroll and Employee Benefits Outstanding Auditor General Recommendations Update

Date: January 24, 2020
To: Audit Committee
From: Controller
Wards: All

REASON FOR CONFIDENTIAL INFORMATION

This report contains advice or communications that concern labour relations.

SUMMARY

On October 29 and 30, 2019 Council put forth and approved two (2) motions related to the Audit Committee October 10, 2019 Report as it relates to nine (9) outstanding Finance and Treasury Services, Pension Payroll and Employee Services recommendations deemed 'high priority'.

This reports responds to the two motions by providing:

1. The status of each of the nine (9) high-priority outstanding recommendations within the October 10, 2019 Corporate Services and Finance and Treasury Report referenced above.
2. The Director Pension, Payroll and Employee Benefits' approach regarding the formal documentation of an annual evaluation of the benefit administrator performance as it relates to prevention, detection and investigation of benefit fraud including fraud related to the receipt of Long Term Disability benefits.

RECOMMENDATIONS

The Controller recommends that:

1. City Council receive this report for information.
2. City Council authorize the public release of Confidential Attachment 1, once collective bargaining has concluded and Council has ratified the collective agreements.

FINANCIAL IMPACT

There is an ongoing cost of \$103,375 for the annual benefits administrator performance evaluation based upon the current contracted rate.

The cost for the 2020 annual evaluation has been included in the 2020 Staff Recommended Operating Budget of the Office of the Controller for Council consideration.

The Chief Financial Officer and Treasurer has reviewed this report and agrees with the financial impact information.

DECISION HISTORY

On October 10, 2019 the Audit Committee received AU4.10 Auditor General's 2019 Consolidated Status Report on Outstanding Audit Recommendations.

The Auditor General's reports are available on line at:

Auditor General's 2019 Consolidated Status Report on Outstanding Audit Recommendations

<https://www.toronto.ca/legdocs/mmis/2019/au/bgrd/backgroundfile-138831.pdf>

Corporate Services and Finance and Treasury Services Not Full Implemented

<https://www.toronto.ca/legdocs/mmis/2019/au/bgrd/backgroundfile-138836.pdf>

The report included nine (9) outstanding recommendations deemed 'high priority' related to the following Finance and Treasury Services, Pension Payroll and Employee Services audits as captured within the Auditor General's 2019 Consolidated Status Report on Outstanding Audit Recommendations.

A subsequent motion was put forth to move the item to Council for consideration and advice. A copy of the report is available online at:

<http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2019.AU4.10>

On October 29 and 30, 2019 Council adopted the following motions regarding Finance and Treasury Services, Pension Payroll and Employee Services nine (9) outstanding Auditor General recommendations deemed 'high priority':

1. Motion to Amend Item (Additional) moved by Councillor Stephen Holyday (Carried). That the Audit Committee request the Chief Financial Officer and Treasurer to report to the Audit Committee at its meeting on February 10, 2020 on the high-priority outstanding recommendation originally contained in the Auditor General's report (June 12, 2012) entitled "Improving Reporting and Monitoring of Employee Benefits" (AU7.10):

2. City Council request the Director, Pension, Payroll and Employee Benefits, give consideration to the formal documentation of an annual evaluation of the benefit administrator performance as it relates to prevention, detection and investigation of benefit fraud including fraud related to the receipt of Long Term Disability benefits.

Motion to Adopt Item as Amended (Carried)

The Council decision is available on line at:

<http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2019.AU4.3>

COMMENTS

The following are the Finance and Treasury Services, Pension Payroll and Employee Services responses to the October 28 and 29, 2019 Council approved motions.

Motion One:

The Director, Pension, Payroll and Employee Benefits reviewed the nine high-priority outstanding recommendations noted within the October 10, 2019 AU4.10 Auditor General's 2019 Consolidated Status Report on Outstanding Audit and motions and provides the following update:

Of the nine recommendations:

- Three (3) have subsequently been completed
- Four (4) have been put forth for consideration during Collective Bargaining
- Two (2) are in progress

A status update for the 3 completed and the 2 in progress recommendations are below. A status update for the 4 recommendations put forth for consideration during collective bargaining is in the confidential attachment.

Finance and Treasury Services Pension, Payroll and Employee Benefits Management of the City's Employee Extended Health and Dental Benefits, Phase Two: Ineffective Controls and Plan Design Leaving the City Vulnerable to Potential Benefit Abuse 03/20/2017		
2*	City Council request the Treasurer to ensure the plan administrator has adequate tools, controls and adjudication processes in place to identify unusual trends and patterns, and to detect and prevent fraud and abuse at both the provider and	The Treasurer has reviewed with the plan administrator their tools, controls and adjudication processes and is satisfied at the robustness in the detection and prevention of fraud. This is supported by the provision of the comprehensive Delisted Providers list

	individual plan member level. This should include establishing predetermined criteria with the plan administrator for identification of unusual trends and patterns, and requesting periodic reports back from the plan administrator on actions taken.	<p>which is regularly updated and shared with the City and plan members.</p> <p>The Treasurer will engage GSC to expand on current report of unusual trends and patterns by individual plan members (via unique identifier) to include actions taken and results.</p> <p>Q1 2020</p>
10*	City Council request the Treasurer to ensure that the current employee health benefit plan administrator's adjudication processes include an assessment on age reasonableness for health claims.	<p>The Division believes this recommendation to be implemented.</p> <p>The Treasurer engaged Mercer to complete a "Target Audit", the findings were that, in line with Industry Standards, GSC does not have automatic controls in place to check for age reasonableness for health claims. However, GSC does, as expected, have controls in place to adjudicate health claims based on age eligibility as defined within the City Plans and Collective Agreements. For instance, Shingles vaccine can only be administered at age 50 or older and therefore GSC will not reimburse claims where the claimant is under the age of 50.</p>
<p>Finance and Treasury Services Pension, Payroll and Employee Benefits Supplementary Report to the Auditor General's Phase One Report "The City Needs to Ensure Adequate Detection and Review of Potentially Excessive and Unusual Drug Claims"</p> <p>03/13/2017</p>		
1*	City Council request the Treasurer to consult with the City's current benefits plan administrator and the appropriate legislative agencies to determine whether the benefits plan administrator should implement a practice of considering reporting to the appropriate regulatory body, physicians or pharmacists who prescribed or dispensed potentially excessive opioids to claimants.	<p>The Division believes this recommendation to be implemented.</p> <p>The Division will compile the necessary documentation to substantiate that the recommendation has been fully implemented.</p> <p>Director Pension Payroll and Employee Benefits consulted benefits plan administrator Green Shield Canada (GSC) and determined a practice is in place to report to the appropriate regulatory body, physicians or pharmacists who prescribed or dispensed potentially excessive opioids to claimants.</p>

7*	<p>City Council request the Treasurer to ensure the City only reimburses over-the-counter drug claims in accordance with City policies and to ensure cost effective reimbursement of over-the-counter drug claims. Steps should be taken but not be limited to:</p> <p>a. Following up with Manulife to validate the eligibility of over-the-counter drug claims to ensure they meet the life sustaining requirements in the City's policies and recover any ineligible amounts paid;</p> <p>b. Ensuring the new plan administrator has a process in place to obtain evidence of life sustaining purpose when reimbursing over-the-counter drugs in accordance with City policies; and</p> <p>c. Working with the new plan administrator to develop ways to minimize the cost of dispensing fees for eligible over-the-counter drug claims.</p>	<p>PPEB is currently working to:</p> <p>Develop an over the counter drugs (OTC) and dispensing fees strategy</p> <p>Develop an inventory of eligible OTC drugs</p> <p>Develop a quarterly validation of OTC drugs being reimbursed.</p> <p>Q1 2020</p>
15*	<p>City Council request the Treasurer to undertake a review of the City's records of eligible individuals for health benefits coverage to ensure accurate and complete information in the City's system. A review of the health benefit claim histories should be conducted on individuals with questionable or missing dates of birth. Where claim reimbursements were made for ineligible individuals, steps should be initiated to recover overpayments.</p>	<p>The division believes this recommendation to be substantially implemented.</p> <p>The Division will compile the necessary documentation to substantiate that the recommendation has been fully implemented.</p> <p>-Positive enrollment process has been in place since September 2016 for all new hires and existing employees. The process requires employees to provide proof of eligibility, such as marriage certificate, birth certificate and/or affidavit confirming common law status, for enrolment of spouses and dependents.</p> <p>-A positive re-enrollment city wide is planned for all affiliations by end of 2021. Notice has already been provided to the unions.</p> <p>- The City audits dependents date of birth on a quarterly basis to ensure validity of SAP data and we are awaiting system changes to enable audits on a weekly basis.</p>

		<p>- After further analysis of the cases identified in the previous AG report, it was determined that the records referenced in the report were related to Group Life Insurance (GLI) Child Beneficiaries, who were not enrolled in the Health and Dental benefits. Date of birth is not required for beneficiary designation.</p> <p>The GLI beneficiary process was updated to exclude these records from future reports to AG.</p> <p>It should be noted the benefits provider has controls in place to reject questionable or missing birth dates prior to enrolment, which are flagged to the City and actioned. The provider dependent report does not contain questionable or missing dates of birth.</p>
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Motion Two:

The Director, Pension, Payroll and Employee Benefits has engaged an external consultant to conduct an onsite evaluation of the Health, Dental and Long Term Disability claims adjudication. Each evaluation includes a review of the administrator performance as it relates to prevention, detection and investigation of benefit fraud.

The consultant's Health and Dental report was received on January 7, 2020 and is currently under review.

The Long Term Disability review is in progress, the report is anticipated by end of Q3 2020.

The Director Pension, Payroll and Employee Benefits recommends a bi annual valuation of the benefit performance as these types of audits typically take 22 to 26 weeks to complete.

The evaluation of the benefit administrator performance of the Health and Dental benefit will be conducted in the alternate year to that of the Long Term Disability benefit.

This will meet the spirit of the Audit General recommendation to conduct an annual benefit administrator performance evaluation

The Director, Pension, Payroll and Employee Benefits is committed to working towards the completion of the outstanding recommendations, understanding that some recommendations are driven by the collective bargaining process which may not result in an outcome aligned to the Audit Generals recommendations.

CONTACT

Hatem Belhi, Director, Pension, Payroll and Employee Benefits
Telephone: (416) 397-4143; Email: hatem.belhi@toronto.ca

SIGNATURE

Andrew Flynn
Controller

ATTACHMENTS

Confidential Attachment 1 - PPEB Outstanding Audit Recommendations Update