

**State of New Hampshire Internal Service Fund Management Letter for the Fiscal Year Ended June 30, 2014**

**Division of Risk and Benefits (Risk and Benefits)**

**Department of Administrative Services (DAS)**

**LBA Audit – Correction Action Plan / Audit Response**

**60 Month Progress Report: May 1, 2020**

**Completion Status**

**Open** ●  
**Partial** ●●  
**Substantial** ●●●  
**Full** ●●●●

#	Observation Title	Recommendation	Action Item	Due Date	Completion Status	Comments
1	Formal Risk Assessment	Establish a formal risk assessment process, supported by policies and procedures, for recognizing and responding to risks potentially affecting the RMU's operations.	° Risk and Benefits drafted a comprehensive risk assessment framework that categorizes potential business operation risks, identifying potential policies and procedures to mitigate and monitor risk.	Ongoing	●●	Subject to limited staff and other resources.
2	Controls Over Enrollment Data	Perform periodic reconciliations between the enrollment data repository (NHFIRST) and information used by the benefit vendors to pay claims to ensure the vendors are only processing claims and collecting administrative fees for appropriate enrollees.	° Currently, Express Scripts, Anthem, and Delta Dental administrative invoices are reconciled monthly with their respective administrative enrollment files. ° Risk and Benefits has developed and documented processes to perform monthly enrollment reconciliations between administrative fee enrollment counts and NHFIRST enrollment for all health benefit vendors.	Completed	●●●●	

		<p>Implement a secondary system review control for all changes made to plan enrollments to ensure changes are made accurately and appropriately and control procedures are documented.</p>	<ul style="list-style-type: none"> <li>° On 4/23/15, Dependent Eligibility Verification Process completed. Final DEVP Report submitted to Fiscal Committee on 12/15/15. A second DEVP is planned for 2018.</li> <li>° Extensive documentation on employee eligibility, benefit plan changes, and termination of benefit plans is available to Agency HR via Sunspot as well as detailed instruction on the routine enrollment of eligible employees and dependents. Documentation supporting benefit eligibility and changes are maintained in the employee personnel file.</li> </ul>	<p>Completed on July 31, 2015</p>	<p>••••</p>	
		<p>Limit the number of individuals authorized to make enrollment changes to the health benefit plan. All authorized individuals should be appropriately trained. Conduct periodic review of authorized access.</p>	<ul style="list-style-type: none"> <li>° HR training completed for largest State agencies that are designated to complete their own benefit enrollments. All other agencies forward benefit enrollment materials to Risk and Benefits Division Benefit Staff for processing. Agency staff has access to detailed NHFIRST user instructions via Sunspot. Risk and Benefits updates instructions as needed.</li> <li>° NHFIRST functionality provides ability to research entries to system via Benefit Audit History, providing information such as record entry date and user initiating change.</li> <li>° Risk and Benefits implemented benefits automation rules that automatically update benefits status as appropriate based on personnel action transactions made to employee level records.</li> <li>° FDM manages access to NHFIRST and limits access to benefits modules to only appropriate HR agency benefits staff, as designated by DOP.</li> <li>° FDM also implemented an employee termination checklist process to allow for</li> </ul>	<p>Completed</p>	<p>••••</p>	

			timely notification to FDM to limit terminated employee access to NHFIRST. An audit compliance report has been developed by FDM and is routinely reviewed with DOP.			
3	Service Organization Control Reports (SOC-1 Reports)	Expand documented review of each SOC-1 Reports to understand the scope and effectiveness of controls over outsourced operations.	Developed written procedures for vendor SOC-1 reviews and development of complementary control matrixes for SOC-1 reviews completed.	Completed	●●●●	.
4	Controls Over Revenue	Establish policies and procedures to ensure revenues are complete and accurately collected, reported and recorded.	<ul style="list-style-type: none"> <li>◦ All HBP revenue sources are reconciled monthly by Risk and Benefits Finance Bureau.</li> <li>◦ Risk and Benefits has developed and documented policies and procedures for reconciliation of all monthly HBP revenue sources.</li> </ul>	Completed	●●●●	
		Establish review and approval controls that verify the completeness and accuracy of revenues. Reconcile NHRS subsidy revenue for accuracy.	<ul style="list-style-type: none"> <li>◦ Monthly NHRS subsidy revenue reconciliation processes developed and procedures drafted.</li> <li>◦ Monthly reconciliation of NHRS retiree health enrollment to NHFIRST retiree enrollment process developed and procedure drafted.</li> <li>◦ NHRS completed an extensive audit three years ago and each retiree's record is audited as they are enrolled in the retiree health plan to determine eligibility. NHRS and Risk and Benefits are working together to improve the current reconciliation process used to verify the completeness and accuracy of the subsidy revenue on a monthly basis.</li> </ul>	Completed	●●●●	
5	Revenue Reconciliation	Develop policies and procedures for the timely follow up and resolution of significant variances identified by control activities.	◦ Developed written procedures of monthly revenue reconciliation process for HBP revenue sources. Different revenue reconciliation processes require follow up with different internal departments and/or HBP vendors. Each drafted revenue source procedure includes a process for timely	Completed	●●●●	

			<p>follow up and resolution of revenue variances.</p> <ul style="list-style-type: none"> <li>° Procedures put in place for detection of revenue variances.</li> <li>° Risk and Benefits and Bureau of Accounts work together to resolve variances.</li> </ul>			
6	Health Benefit Policies and Procedures	Establish policies and procedures for all significant aspects of the health benefit plan.	<ul style="list-style-type: none"> <li>° Risk and Benefits has identified and is in the process of developing and documenting written procedures regarding the significant financial and operational aspects of the health benefit plan.</li> </ul>	Ongoing	●●●	Subject to limited staff and other resources.
7	Health Benefit Book	Publish all health benefit booklets in a timely manner.	<ul style="list-style-type: none"> <li>° Vendor project plans include timely publication of benefit books. Updated Medical, Pharmacy, Dental, and HRA benefit booklets are posted timely.</li> <li>° Summary plan descriptions and “Benefits 101” presentation are available online.</li> </ul>	Completed	●●●●	
8	Working Rates	Implement evidenced review and approval control over the acceptance of actuarially determined working rates.	Developed written policies and procedures for evidence based review and approval control over the acceptance of actuarially determined working rates.	Completed	●●●●	
9	Accounts Receivable Policies and Procedures	Develop policies and procedures for accounting and reporting accounts receivable to provide guidance for consistent reporting.	<ul style="list-style-type: none"> <li>° Developed written policies and procedures.</li> <li>° Processes in place to document accounts receivable.</li> </ul>	Completed	●●●●	
10	Financial Activity in The Appropriate Fund	Work with DAS, State agency, and the Legislature to develop policies and procedures for accurate financial reporting for the General Fund.	<ul style="list-style-type: none"> <li>° DAS (Commissioners Office, Risk and Benefits, and BOA) has determined that the best practice is to deposit federal post retirement revenue into unrestricted General Funds. This means that retirees from agencies contributing post retirement revenue to the General Fund are then included in the DAS budget for Retiree Health Benefits.</li> <li>° Risk and Benefits will continue to work with the Legislature and agencies to identify agencies that should self-fund Retiree Health Benefits. For example, in FY2019 OPLC became a self-funded agency and Risk and</li> </ul>	Completed	●●●●	

			<p>Benefits invoiced it for its monthly retiree health premiums.</p> <p>° DAS' current process follows RSA 21-I:74-76 and deposits Post Retirement Funds into non-restricted GFs to support all GF needs, and the GF then is a major source of revenue for retiree health benefits. RSA 21-I:74-76 are in conflict with RSA21-I:30-e that states that all funds accumulated from any source for retiree health benefits shall be accounted for in the employee and retiree benefit risk management fund. In the past, DAS through the budget process sought to deposit post retirement funds into an OPEB Trust to support long-term retiree health benefit plan costs, but the legislature removed this proposal from the budget. Because Post Retirement revenues fluctuate from year to year in amount and in timing of receipt, and given DAS' responsibility to pay for health care for more than 12,000 retirees, DAS current process relies on the GF for a source of revenue for retiree health benefits in the State's budget.</p>			
11	Transfer of Payroll Costs Policies and Procedures	Establish policies and procedures for timely payroll transfers, as directed by Chapter 1:9.	Risk and Benefits developed written policies and procedures for payroll transfers. Payroll transfers are conducted timely.	Completed	●●●●	DAS requested repeal of Chapter 1:9 (Laws of 2009); not repealed in 2015 legislative session.
12	Workers' Compensation to Internal Service Fund	Review the policies and procedures for posting workers' compensation revenues to the Internal Service Fund. Ensure revenues continue to be posted timely.	<p>° DAS manual addresses posting workers' compensation revenues.</p> <p>° Timely posting of revenue occurs now that office is fully staffed.</p>	Completed	●●●●	
13	Changes to Collective Bargaining Agreement	Put changes to the CBA in writing with the agreement to the changes by Labor and Management.	DAS will work with the unions to put all CBA changes in writing.	Completed	●●●●	

14	Required Reporting	Submit timely reports of the self-funded Health Benefit program to the Fiscal Committee every 60 days, as required by Chapter 319:32.	Timely reports are filed.	Completed	●●●●	
15	RSA 21-I Administrative Rules	Establish the administrative rules requires by RSA 21-I:14.	Risk and Benefits and the Office of Policy and Procedures have commenced work to develop administrative rules for the HB plan.	Ongoing	●●	Subject to limited staff and other resources.