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This report has been distributed to Internal Audit Committee members, the Legislative Budget Board, the State Auditor’s Office, the Sunset Advisory Commission, the Governor’s Office of Budget and Planning, and The University of Texas System Audit Office for distribution to the Audit, Compliance, and Management Review Committee of the Board of Regents.

Dependent Eligibility  
Project Number 798.12
November 21, 2012

President William C. Powers, Jr.
The University of Texas at Austin
Office of the President
P.O. Box T
Austin, Texas 78713

Dear President Powers,

We have completed our audit of Dependent Eligibility. Our scope included The University of Texas at Austin’s dependent eligibility verification processes for dependents added to the UT Select medical plan.

Based on interviews with relevant staff, limited testing, and a review of The University of Texas System Office of Employee Benefits’ (OEB) Administrative Manual and Human Resource Services (HRS) policies and procedures, and supporting documentation, we conclude that HRS is in compliance with the new dependent eligibility verification processes mandated by OEB to verify the eligibility of all newly eligible dependents. A suggestion was offered for improvement in the existing control structure.

We appreciated the cooperation and assistance of HRS management throughout the audit and hope that the information presented herein is beneficial.

Sincerely,

Michael W. Vandervort, CPA
Director

cc: Internal Audit Committee Members
    Ms. Debra G. Kress, JD, Associate Vice President for Human Resources,
    Human Resource Services
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EXECUTIVE SUMMARY

At the request of The University of Texas System (UT System), we conducted an audit of The University of Texas at Austin (UT Austin) Human Resource Services (HRS) dependent eligibility verification process as part of our Fiscal Year 2012 Audit Plan.

The scope of this audit was limited to UT Austin’s dependent eligibility verification processes for dependents added to the UT Select medical plan between May 1, 2011 and June 30, 2012. The audit objective was to determine whether UT Austin’s benefit office has adopted the new dependent eligibility verification processes mandated by the UT System Office of Employee Benefits to verify the eligibility of all newly eligible dependents added:

- At the time of initial enrollment as the dependent of a newly hired employee or newly retired employee,
- Following a qualified change in status event during the plan year (e.g., birth, marriage, adoption), or
- During the annual enrollment period.

Based on interviews with relevant staff, limited testing, and a review of OEB’s Administrative Manual, HRS policies and procedures, and supporting documentation, it appears that HRS is in compliance with the new dependent eligibility verification processes mandated by OEB to verify the eligibility of all newly eligible dependents. A recommendation was made regarding compliance with the 31 day requirement. Management agreed with the recommendation and has provided an action plan with an implementation date of December 1, 2012.
BACKGROUND

The University of Texas System (UT System) Office of Employee Benefits (OEB) is authorized by the State University Employees Uniform Insurance Benefits Act to provide employee group insurance for UT System eligible employees, retirees, and dependents. OEB centrally manages all eligibility data provided by the benefits offices of UT System’s 15 institutions and UT System Administration. OEB relies on The University of Texas at Austin’s (UT Austin) Human Resource Services (HRS) to administer program enrollment and verify dependent eligibility. Managing dependent eligibility requires coordination between OEB, which provides oversight and monitoring, and HRS.

According to the HRS website, all benefits-eligible employees and retirees may participate in the UT Select medical plan. As of June 30, 2012, there were 16,173 employees including graduate and postdoctoral fellows, 4,676 retirees including surviving dependents, and 12,117 dependents including fellows and surviving dependents enrolled in the UT Select medical plan. UT Select benefit claims paid during fiscal year 2012 totaled $96,468,372.

This audit was conducted as part of the FY 2012 Audit Plan and at the request of UT System.

SCOPE, OBJECTIVES, AND PROCEDURES

The scope of this audit was limited to UT Austin’s dependent eligibility verification processes for dependents added to the UT Select medical plan between May 1, 2011 and June 30, 2012. The audit objective was to determine whether UT Austin’s benefit office has adopted the new dependent eligibility verification processes mandated by OEB to verify the eligibility of all newly eligible dependents added:

- At the time of initial enrollment as the dependent of a newly hired employee or newly retired employee,
- Following a qualified change in status event during the plan year (e.g., birth, marriage, adoption), or
- During the annual enrollment period.

To achieve the objective, Internal Audits:

- Interviewed relevant staff;
- Reviewed and evaluated policies and procedures regarding dependent enrollment and verification processes;
- Reviewed supporting documentation; and
- Conducted limited testing.

This audit was conducted in accordance with the International Standards for the Professional Practice of Internal Auditing and with Government Auditing Standards.
The remainder of this report presents detailed observations and one recommendation.

AUDIT RESULTS

A review of HRS policies and procedures indicated that they are aligned with OEB’s requirements regarding dependent eligibility verification. In addition, for all 91 dependents tested, supporting documentation was available and provided for our review in a timely manner. HRS has demonstrated a clear understanding of their responsibilities with respect to dependents added during the three processes. However, a recommendation was made to help demonstrate compliance with the dependent eligibility verification processes.

For 53 of the 91 dependents tested, there was no evidence that the support documentation was received within the 31 day requirement. Without a process to ensure that supporting documentation is stamped when received, it may be difficult to demonstrate compliance with the 31 day requirement.

According to Section 230 of the OEB’s Administrative Manual, dependents may be added during three processes: within 31 days of an employee’s initial employment, within 31 days of the occurrence of a qualifying event, or during annual enrollment.

Recommendation: Management should ensure that all HRS representatives record the date received on the support documentation to provide evidence of compliance with the 31 day requirement.

Management Response: HRS accepts documentation through several submission methods. To maintain processing efficiency, we propose the following as acceptable records of documentation receipt dates:
- date stamp,
- written notation by HRS representative,
- fax transmission dates,
- email transmission dates, and
- upload dates in the OEB online enrollment system.

As we encounter new submission methods due to changing technology, we will defer to our HR managers to determine the best method to record receipt dates.

Implementation Date: December 1, 2012
CONCLUSION

Based on interviews with relevant staff, limited testing, and a review of OEB’s Administrative Manual, HRS policies and procedures, and supporting documentation, it appears that HRS is in compliance with the new dependent eligibility verification processes mandated by OEB to verify the eligibility of all newly eligible dependents. A recommendation was made regarding compliance with the 31 day requirement. Management agreed with the recommendation and has provided an action plan with an implementation date of December 1, 2012.

In accordance with directives from The University of Texas System Board of Regents, the Office of Internal Audits will perform follow-up procedures to confirm that audit recommendations have been implemented.