

# AUDIT SCOPE STATEMENT – June 20, 2023

## Separated Employee Benefits Termination

### Background

Kansas City acts as a self-insured entity through the Healthcare System Board of Trustee. The Healthcare System funds health benefits directly for city employees. The city contracts BlueCross BlueShield to administer health and dental coverage provided by the Healthcare System to employees and process claim payments to providers. Benefits offered to city employees include health insurance, dental insurance, vision benefits, term life insurance, short-term disability, long-term disability, long-term care, Flexible Spending accounts, and Health Savings accounts.

The Human Resources Benefits Division coordinates benefits for eligible city employees. The Benefits Division also handles administration for benefits programs, preparing COBRA packets for terminated employees, processing all qualifying benefit change events, and updating and administering all benefits-related systems in the human resources management system. Recently, the Benefits Division became responsible for preparing monthly billing audits and processing payments for all benefits-related vendors.

### Why audit the termination of separated employees' benefits?

The city plans to spend nearly \$95 million on health-related benefits for fiscal year 2024 to cover about 9,500 employees and their dependents (excluding retirees). A total of 466 employee terminations were processed in fiscal year 2023. Assessing processes to terminate separating employees' benefits and benefit payment data can help ensure the city pays benefits for only eligible employees.

### Audit objective

Our objective is to answer the following question:

Has the city paid benefits for ineligible employees after the employee separated from the city?

### Audit methods

We will review Administrative Regulations, city code, city contracts, and Human Resources policies and procedures; interview Human Resources staff, Healthcare System Board of Trustee staff, and BlueCross BlueShield staff, and compare benefit provider invoices to eligible employees and their claims for a two-year period.

### Anticipated release date

We plan to issue the audit report in September 2023.



**KANSAS CITY  
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