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**Office of the City Auditor**

**Audit Report**

**AUDIT OF CITY OF DALLAS'  
SELF-INSURED  
MEDICAL PROGRAM  
(Report No. A14-005)**

**February 14, 2014**

**City Auditor**

Craig D. Kinton

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## Executive Summary

The City of Dallas' (City) Department of Human Resources (HR) has opportunities to improve administration and internal controls over the Self-Insured Medical Program (Program). Specifically:

- Independent audits are not completed timely to verify Third Party Administrators (TPA) processed and paid medical and pharmacy claims in accordance with Program guidelines.
  - Medical claims audits have not been performed for the last seven calendar years (2006 – 2012).
  - Pharmacy claims audits have not been performed for the last four calendar years (2009 – 2012).
- The HR does not have written procedures to ensure administrative fee payments are processed accurately and consistently. There are no written procedures to: (1) guide employees in processing payments; (2) specify spreadsheet controls; (3) identify analytical review criteria; and, (4) specify the timing for researching and resolving issues resulting from the analytical review.
- Checks received in the benefits area are not routinely deposited by the next business day as required by Administrative Directive 4-13, *Cash and Debt Management Policies and Procedures* (AD 4-13). Audit tests identified 13 checks totaling \$5,715.87, received on or before May 7, 2013, that were not deposited until May 16, 2013.
- The HR does not always receive and review the TPAs' performance guarantee reports (Reports) timely. For example, the pharmacy TPA Report for calendar year 2012 was not received by HR until the auditor requested the Report in June 2013. This Report showed the pharmacy TPA still owed the City \$31,250 for calendar year 2012.

### Background Summary

The HR administers the City's health benefits program and related services. For Calendar Year 2013, the City offered two self-insured Exclusive Provider Organization (EPO) plans to eligible employees and retirees. These include an EPO 70/30/3000 Medical Plan and an EPO 75/25 Health Reimbursement Account (HRA) Medical Plan which include prescription drug benefits. The City also offers Vision, Dental, and Flexible Spending Accounts (FSA) for active employees. In addition, the City offers a Medicare Supplement and Medicare Advantage Plans for Medicare eligible members.

For Fiscal Year (FY) 2012, the City paid over \$108 million in medical, pharmacy, and administrative costs. This increased from the \$105 million paid in the FY 2011.

**Source:** City of Dallas' Comprehensive Annual Financial Report Fiscal Year 2012 and Office of Risk Management

**An Audit Report on –  
City of Dallas' Self-Insured Medical Program**

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- The City has not performed ongoing compliance monitoring activities and cannot ensure Protected Health Information (PHI) is properly protected as required by law.

We recommend the Director of HR:

- Ensure medical and pharmacy benefits are paid in accordance with plan guidelines and TPAs meet performance guarantees by: (1) contracting with an independent auditor who is qualified to audit medical and pharmacy claims and performance guarantees; and, (2) establishing a schedule to ensure the audits are completed at least bi-annually for each plan
- Improve internal controls by developing written procedures for: (1) guiding employees in processing payments; (2) specifying spreadsheet controls; (3) identifying analytical review criteria; (4) specifying the timing for researching and resolving issues resulting from the analytical review; and, (5) Ensuring supervisory review of the calculation of the monthly administrative fee is performed prior to payment to the TPA
- Ensure checks are deposited within one business day as required by AD 4-13
- Ensure TPA Reports are received and reviewed at least quarterly, performance issues identified are corrected timely, and monies due to the City, if any, are requested for collection in the first quarter of the next year

We recommend the Privacy Officer comply with the Health Insurance Portability and Accountability Act (HIPAA) compliance plan by:

- Conducting ongoing compliance monitoring activities
- Reviewing all system-related information security plans to ensure alignment between security and privacy practices

We recommend the Director of the Department of Communication and Information Services (CIS):

- Develop procedures to ensure compliance with the City's *Policies and Procedures for HIPAA Compliance*, including the Health Information Technology for Economic and Clinical Health (HITECH) Act security standards

**An Audit Report on –  
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- Implement ongoing monitoring activities to ensure compliance with the newly developed procedures
- Perform HIPAA security risk assessments and ongoing security audits

The objective of the audit was to assess the adequacy of internal controls over the City's Program which may include claims processing, monitoring, oversight, and eligibility determination. The audit period covered Fiscal Years (FY) 2011, FY 2012, and FY 2013 to date. We also reviewed certain related transactions and records before and after that period.

**Audit Scope Limitation**

The Program requires individuals (active employees, retirees, and dependents) to provide proper supporting documentation (birth certificates, marriage licenses, etc.) to demonstrate eligibility before they are enrolled and begin to receive health benefits. Due to privacy concerns, the City does not retain this documentation. As a result, the Office was not able to select a random sample of employees, dependents, and retirees to verify eligibility. The auditor was able to observe transactions for the enrollment of two employees and no exceptions were noted.

Management's response to this report is included as Appendix III.

# Audit Results

## Overall Conclusions

The City of Dallas' (City) Department of Human Resources (HR) has opportunities to improve administration and internal controls over the Self-Insured Medical Program (Program). Specifically: (1) independent audits are not completed timely; (2) the HR does not have written procedures to ensure administrative fee payments are processed accurately and consistently; (3) checks received in the benefits area are not routinely deposited by the next business day as required by Administrative Directive 4-13, *Cash and Debt Management Policies and Procedures* (AD 4-13); (4) the HR does not always receive and review the Third Party Administrators' (TPA) performance guarantee reports (Reports) timely; and, (5) the City has not performed ongoing compliance monitoring activities and cannot ensure Protected Health Information (PHI) is properly protected as required by law.

### Independent Audits Are Not Completed Timely

Independent audits are not completed timely to verify that TPAs processed and paid medical and pharmacy claims in accordance with Program guidelines. Specifically:

- Medical claims audits have not been performed for the last seven calendar years (2006 – 2012)
- Pharmacy claims audits have not been performed for the last four calendar years (2009 – 2012)

#### Monitoring Activities

Entities that use outsourced service providers for services such as...health care claims processing...need to understand the activities and controls associated with the services and how the outsourced service provider's internal control system impacts the entity's system of internal control.

**Source:** Committee of Sponsoring Organizations (COSO), Internal Control – Integrated Framework

The last medical claims audit was completed in 2007 for calendar years 2004 and 2005 and the last pharmacy claims audit was completed in 2010 for calendar years 2007 and 2008. As a result, the City cannot ensure that the medical and pharmacy benefits are paid in accordance with plan guidelines and TPAs meet performance guarantees.

The City's contracts with the TPAs for medical and pharmacy include a right to audit clause. The medical contract restricts the audit scope to the most recent two year period. After two years, the City forfeits the right to audit previous years' medical claims and recover any amounts which may be owed to the City. Both contracts allow the City to audit up to 12 months after the end of the contract. Due to the material inherent risk in outsourcing benefits programs, it is important the City perform monitoring timely. A cost effective method to provide

this monitoring activity is to engage an independent firm specializing in audits of medical and pharmacy claims and performance guarantees.

## **Recommendation I**

We recommend the Director of HR ensure medical and pharmacy benefits are paid in accordance with plan guidelines by: (1) contracting with an independent auditor who is qualified to audit medical and pharmacy claims and performance guarantees; and, (2) establishing a schedule to ensure the audits are completed at least bi-annually for each plan.

Please see Appendix III for management's response to the recommendation.



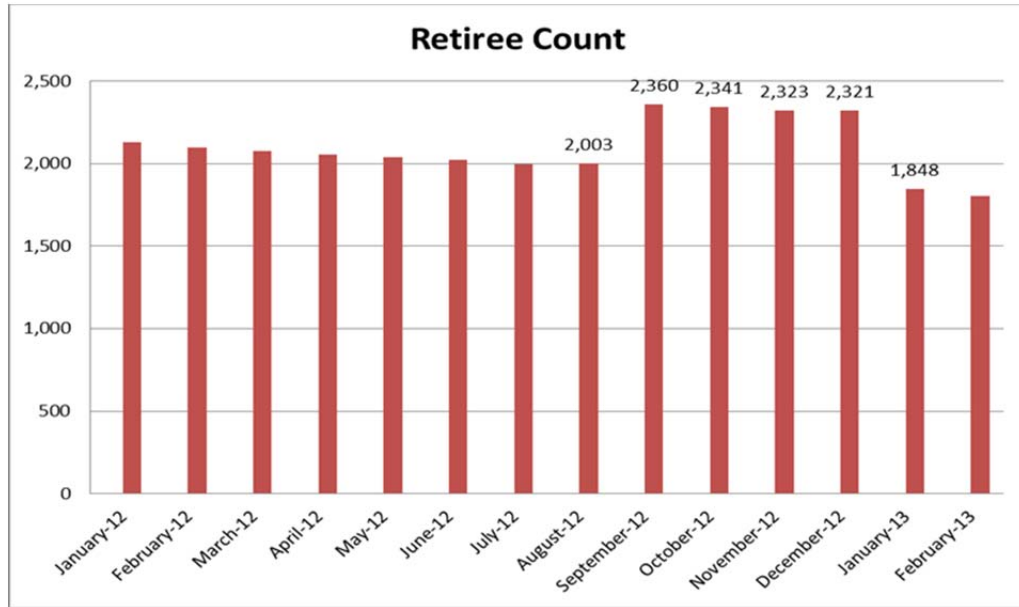
## **Written Procedures Are Not Available to Ensure Administrative Fee Payments Are Processed Accurately and Consistently**

The HR does not have written procedures to ensure certain administrative fee payments are processed accurately and consistently. There are no written procedures to: (1) guide employees in processing payments; (2) specify spreadsheet controls; (3) identify analytical review criteria; and, (4) specify the timing for researching and resolving issues resulting from the analytical review. The auditor noted the following examples:

- When the current Benefit Accountant was hired, there were no written procedures related to administrative fee payment processing. As a result, procedural questions related to administrative fee payment processing were directed to a former Benefit Accountant who had accepted employment in another City department. If the former Benefit Accountant had accepted employment outside of the City, knowledge of administrative fee payment processing might not have been readily accessible to the current Benefit Accountant.
- An error was made in the spreadsheet HR uses to calculate the monthly administrative fee paid to the TPA. The administrative fee is based on the number of members (employees/retirees) covered by the health plans during the month. The \$36,500 error was not identified by HR during normal processing because spreadsheet formulas were not set-up to easily verify calculations, and there are no written procedures requiring the Benefits Manager to review the results prior to payment. Although the amount is not significant to the total administrative payments of \$492,724 processed that month, the error demonstrates there is an increased risk of making inaccurate payments if proper spreadsheet controls are not in place along with supervisory review. (Note: The TPA credited the City's account for the error in May 2013.)
- From August 2012 to September 2012, a report showed the number of retirees participating in the health plan increased by 357, or 18 percent (see Chart I on the next page). This significant fluctuation was not identified by HR for further research and resolution because HR has not identified the criteria and the timing for researching and resolving issues using analytical review. Since the administrative fees are paid based upon the number of members (employees/retirees) participating in the health plans, not identifying this significant fluctuation could result in a \$12,523 per month overpayment, or a four month total of \$50,094. (Note: Although multiple requests were made, HR did not provide the auditor with an explanation for this significant fluctuation or support that the City did not overpay the TPA).

Chart I

### Number of Retirees with City of Dallas Medical Insurance



Source: Department of Human Resources Monthly Premium Reports

According to the Committee of Sponsoring Organizations (COSO), “control activities are the actions established by policies and procedures to help ensure that management’s directives to mitigate risks to the achievement of objectives are carried out.” Spreadsheet software provides user flexibility; however, the most commonly used software does not provide adequate controls, such as input, access, change controls, and audit trails. In addition, macros and formulas embedded in spreadsheets can also affect spreadsheet performance. PricewaterhouseCoopers research showed that 91 percent of spreadsheets have at least a five percent error margin. Analytical review procedures are used to understand relationships between financial and nonfinancial information. For example, year-to-date totals of members (employees/retirees) participating in the health plans and month-to-month variances might be used to evaluate data reasonableness. A monthly fluctuation above a certain pre-specified criteria helps identify anomalies in the data that might warrant further investigation.

### Recommendation II

We recommend the Director of HR improve internal controls by developing written procedures for:

- Guiding employees in processing payments

- Specifying spreadsheet controls
- Identifying analytical review criteria
- Specifying the timing for researching and resolving issues resulting from the analytical review
- Ensuring supervisory review of the calculation of the monthly administrative fee is performed prior to payment to the TPA

### **Recommendation III**

We recommend the Director of HR research and resolve the variance identified for the number of retirees to ensure potential overpayments are corrected.

Please see Appendix III for management's response to the recommendation.

## Checks Are Not Deposited Timely

Checks received in the benefits area are not routinely deposited by the next business day as required by AD 4-13. Audit tests identified 13 checks totaling \$5,715.87 received on or before May 7, 2013 were not deposited until May 16, 2013. As a result, the risk of fraud, lost and/or stolen checks is increased. In addition, the City is giving up potential interest earnings and timely access to these funds to pay the intended health benefits.

AD 4-13 states: *“Department Directors are responsible for depositing cash receipts into the City Treasury on the day of receipt if possible or within one day of receipt”.*

## Recommendation IV

We recommend the Director of HR develop procedures to ensure checks are deposited within one business day as required by AD 4-13.

Please see Appendix III for management's response to the recommendation.

## Performance Guarantee Reports Are Not Always Received and Reviewed Timely

The HR does not always receive and review the TPA's Reports timely. For example, the pharmacy TPA Report for calendar year 2012 was not received by HR until the auditor requested the Report in June 2013. This Report showed the TPA still owed the City \$31,250 for calendar year 2012.

The financial consequence for not meeting performance guarantees can be significant to the TPA. The pharmacy TPA had already paid the City \$250,000 for not meeting initial implementation standards. This non-performance occurred in early 2012, and after extensive negotiation the City received and deposited the check in August 2012.

### Performance Guarantees

Specify the City's requirements for third party providers' services, such as: (1) claims processing turnaround times; (2) financial, payment, and system accuracy; (3) customer service standards; and, (4) the associated financial consequences when performance guarantees are not met. Medical guarantees at risk are \$1,820,000 and Pharmacy guarantees at risk are \$250,000 for ongoing standards and \$250,000 for implementation standards.

**Source:** June 15, 2011 Administrative Services contract, City of Dallas

Receiving and reviewing Reports timely helps ensure the City's performance requirements for TPA's are met, financial consequences for nonperformance are assessed, and amounts due, if any, are received timely.

## Recommendation V

We recommend the Director of HR ensure:

- The TPAs Reports are received and reviewed at least quarterly to determine compliance with the performance guarantee requirements as set forth in the contracts
- Deviations identified during the review are communicated timely to the TPAs and corrected appropriately
- Amounts due, if any, are requested for collection in the first quarter of the next year

Please see Appendix III for management's response to the recommendations.

## Protected Health Information Compliance Monitoring Activities Are Not Performed and Protected Health Information Data May Not Be Secure

The City has not performed ongoing compliance monitoring activities for PHI. As a result, the City cannot ensure that PHI is properly protected as required by law (see textbox). Specifically:

- The Privacy Officer has not performed ongoing compliance monitoring activities.
- The Department of Communication and Information Services (CIS) does not have procedures to ensure that the City complies with the *City of Dallas' Policies and Procedures for HIPAA Compliance*, including the HITECH Act security standards.
- The CIS has not completed HIPAA security risk assessments or ongoing security audits.

### HIPAA / HITECH Act

The Health Insurance Portability and Accountability Act (HIPAA) was signed into law in 1996 and amended by the Health Information Technology for Economic and Clinical Health (HITECH) Act of 2009. These laws provide federal protection for individually identifiable health information held by covered entities and their business associates and gives patients an array of rights with respect to that information.

**Source:** United States Department of Health and Human Services

The City's HIPAA policies Section 12.3 b. and j., state the Privacy Officer will:

- Conduct ongoing compliance monitoring activities
- Review all system-related information security plans to ensure alignment between security and privacy practices

The City's HIPAA policies Section 13.3 a. and c. state the duties of the HIPAA Security Officer shall include, but not be limited to:

- Coordinating with the appropriate Information Technology (IT) staffs of the City, the Health Plan, and the Departments the development and implementation of the policies and procedures for assuring the confidentiality, integrity, and availability of electronic protected health information to meet the information security requirements of HIPAA, as expanded by the HITECH Act
- Monitoring the Health Plans' and the Departments' compliance with applicable HIPAA information security laws and regulations, monitoring compliance with the company's HIPAA information security policies and

procedures among applicable employees and other third parties, and reporting security issues to appropriate managers or administrators; perform security audits and risk assessments of ongoing system activities

## **Recommendation VI**

We recommend the Privacy Officer:

- Conduct ongoing compliance monitoring activities
- Review all system-related information security plans to ensure alignment between security and privacy practices

## **Recommendation VII**

We recommend the Director of CIS:

- Develop procedures to ensure compliance with the *City's Policies and Procedures for HIPAA Compliance*, including the HITECH Act security standards
- Implement ongoing monitoring activities to ensure compliance with the newly developed procedures

## **Recommendation VIII**

We recommend the Director of CIS:

- Perform HIPAA security risk assessments and ongoing security audits

Please see Appendix III for management's response to the recommendations.

## Appendix I

### Background, Objective, Scope and Methodology

#### Background

The City of Dallas' (City) Department of Human Resources (HR) administers the City's Self-Insured Medical Program (Program). The HR Benefits Service Center (BSC) manages the comprehensive package of benefits that is available to City employees, retirees, and their dependents. The BSC assists with benefits-related questions and serves as a liaison between employees and the various providers that are under contract to provide benefits to the City.

As of February 2013, there were approximately 10,000 employees and 1,800 retirees participating in the medical benefit program, excluding dependents. Over 2,300 employees waive the City's medical benefit coverage. The City pays for approximately 60 percent of the health plan cost, with employees and retirees paying the remaining 40 percent. Participants pay 100 percent of the cost for dental and vision benefits. Program expenditures include medical, pharmacy, administrative, and term life insurance. The Program paid claims and expenses of over \$108 million in Fiscal Year (FY) 2012.

For calendar year 2013, the City offered two health plans from which an employee/retiree may choose: Exclusive Provider Organization (EPO) 70/30/3000 Medical Plan and an EPO 75/25/HRA (Health Reimbursement Account) Medical Plan which include prescription drug benefits. The health benefits featured preventative treatments and cost-containment options. Dental, Vision, and Flexible Spending Account (FSA) options were also offered. In addition, HR operates a comprehensive wellness program utilizing on-site staff from the medical Third Party Administrator (TPA) and City departmental wellness champions. Over 70 percent of covered employees participate in the wellness program.

#### Dallas City Code

Section 34-32 Health Benefits – establishes the health benefits program as follows:

- (a) The city extends participation in a health benefit program to every permanent full-time and permanent part-time employee and to every city council member. A temporary employee is not eligible to participate in the health benefit program.



- (b) Eligibility, premium rates, and procedures for participation in the health benefit program for active and retired employees are defined in master plans adopted by the city council and on file with the department of human resources. The city may change the health benefit program at any time, subject to applicable law.
  
- (c) Notice of retirees' rights to purchase continued health benefits.
  - (1) Under Chapter 175 of the Texas Local Government Code, as amended, a person who retires from the city and is entitled to receive city retirement benefits is entitled to purchase continued health benefits coverage from the city for the person and any eligible dependents, unless the person is eligible for group health benefits coverage through another employer.
  
  - (2) To receive continued health benefits coverage, the person must inform the city, not later than the day on which the person retires, of the election to continue coverage.
  
  - (3) If the person elects to continue health benefits coverage for the person and/or any dependents and on any subsequent date elects to discontinue that coverage, then the person is no longer eligible for coverage from the city.
  
  - (4) If a person is not participating in the city's health benefit program at the time the person retires from the city, the person is not eligible for continued health benefits coverage.
  
  - (5) A person hired as a city employee on or after January 1, 2010 who retires from the city may participate in the retiree health benefit program but the cost of the continued health benefits coverage must be paid entirely by the person.

### **Objective, Scope and Methodology**

This audit was conducted under the authority of the City Charter, Chapter IX, Section 3 and in accordance with the Fiscal Year 2013 Audit Plan approved by the City Council. This performance audit was conducted in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objective. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objective.

The objective of the audit was to assess the adequacy of internal controls over the City's Program which may include claims processing, monitoring, oversight, and eligibility determination. The scope of the audit covered FY 2011, FY 2012, and FY 2013 to date; however, certain other matters, procedures, and transactions outside that period may have been reviewed to understand and verify information during the audit period.

### **Audit Scope Limitation**

The Program requires individuals (active employees, retirees, and dependents) to provide proper supporting documentation (birth certificates, marriage licenses, etc.) to demonstrate eligibility before they are enrolled and begin to receive health benefits. Due to privacy concerns, the City does not retain this documentation. As a result, the Office was not able to select a random sample of employees, dependents, and retirees to verify eligibility. The auditor was able to observe transactions for the enrollment of two employees and no exceptions were noted.

To achieve the audit objective, we performed the following procedures:

- Interviewed HR management
- Reviewed Requests for Proposal, the associated vendor responses, and the final executed contracts with TPAs and consultants
- Reviewed the consultant's reports covering Medical Plan projections and Actuarial Valuations of Postretirement Health Benefits
- Selected and tested a sample of reimbursement invoices from 2012 and 2013
- Selected and tested a sample of cash receipts
- Reviewed HR policies and procedures including the International Organization for Standardization (ISO) processes
- Reviewed Information Security processes over the Lawson HRIS system
- Reviewed the Department of Communication and Information Services' (CIS) and the City's Compliance Program activities covering Health Insurance Portability and Accountability Act (HIPAA) privacy
- Reviewed prior medical and pharmacy claim audit reports

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City of Dallas' Self-Insured Medical Program**

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- Reviewed City Code, Administrative Directives, and other relevant documents
- Observed transactions for the enrollment of two employees

**Major Contributors to This Report**

Carol Smith, CPA, CIA, CFE, CFF, Audit Manager  
Robert Rubel, CPA, CIA, CISA, Project Manager  
Theresa Hampden, CPA, Quality Control Manager

Management's Response

Memorandum

RECEIVED

JAN 31 2014

City Auditor's Office



CITY OF DALLAS

DATE: January 31, 2014  
TO: Craig D. Kinton, City Auditor  
SUBJECT: Response to Audit Report: Audit of City of Dallas' Self-Insured Medical Program

Our responses to the audit report recommendations are as follows:

**Recommendation I**

We recommend the Director of HR ensure medical and pharmacy benefits are paid in accordance with plan guidelines by: (1) contracting with an independent auditor who is qualified to audit medical and pharmacy claims and performance guarantees; and, (2) establishing a schedule to ensure the audits are completed at least bi-annually for each plan.

**Management Response / Corrective Action Plan**

Agree  Disagree

*Management agrees with this recommendation and will engage its benefits consultant to conduct the claims audits.*

*In 2013, HR contracted with Buck Consultants to audit the 2011 and 2012 medical claims and anticipates final results from the audit in the next few months.*

*In 2010, 2007 and 2008 pharmacy claims were audited. Although the settlement agreement was 0.21% of the pharmacy claims (\$52,832 settlement on almost \$25,000,000 in claims) and the audit cost exceeded the settlement claim, HR still agrees that bi-annual audits are necessary and proper.*

**Implementation Date**

*December 31, 2014*

**Responsible Manager**

*Human Resources Director*

**Recommendation II**

We recommend the Director of HR improve internal controls by developing written procedures for:

- Guiding employees in processing payments
- Specifying spreadsheet controls
- Identifying analytical review criteria
- Specifying the timing for researching and resolving issues resulting from the analytical review
- Ensuring supervisory review of the calculation of the monthly administrative fee is performed prior to payment to the TPA

**Management Response / Corrective Action Plan**

Agree  Disagree

*Management agrees on the necessity of developing written procedures for the above mentioned processes. This will ensure smooth transition of duties when new employees start, will ensure consistent processing and review of payments, and help easily pinpoint outliers for additional review.*

**Implementation Date**

*September 30, 2014.*

**Responsible Manager**

*Human Resources Director*

**Recommendation III**

We recommend the Director of HR research and resolve the variance identified for the number of retirees to ensure potential overpayments are corrected.

**Management Response / Corrective Action Plan**

Agree  Disagree

*The spike that the auditor identified was due to an error in the "Summary Headcount Report" run from the City's HRIS. To resolve this, HR began using a "Detailed Headcount Report", which identifies every employee election and their tier of coverage.*

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City of Dallas' Self-Insured Medical Program**

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HR Response to Audit Report: Self-Insured Medical Plan  
January 31, 2014  
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*To ensure correct payment of the plans' administrative fees, the City continues to conduct quarterly reconciliations of payments.*

**Implementation Date**  
*February 28, 2014*

**Responsible Manager**  
*Human Resources Director*

**Recommendation IV**

We recommend the Director of HR develop procedures to ensure checks are deposited within one business day as required by AD 4-13.

**Management Response / Corrective Action Plan**

Agree x            Disagree

*Management agrees on the recommendation of developing procedures to ensure checks are deposited within one business day.*

**Implementation Date**  
*February 28, 2014*

**Responsible Manager**  
*Human Resources Director*

**Recommendation V**

We recommend the Director of HR ensure:

- The TPAs Reports are received and reviewed at least quarterly to determine compliance with the performance guarantee requirements as set forth in the contracts
- Deviations identified during the review are communicated timely to the TPAs and corrected appropriately
- Amounts due, if any, are requested for collection in the first quarter of the next year

**Management Response / Corrective Action Plan**

Agree x            Disagree

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*HR Response to Audit Report: Self-Insured Medical Plan  
January 31, 2014  
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*The Human Resources department works extremely closely with its benefits vendors to discuss performance and resolve plan questions. It is common for meetings to occur on a daily basis and unusual for a week to go by without some interaction with the various benefits vendors.*

*In addition to these routine meetings, HR has meetings with vendors to ensure contract compliance; however, HR agrees the process of review of contractual performance guarantees should be more regular and consistent.*

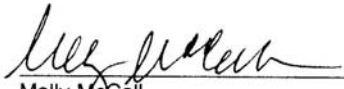
**Implementation Date**

*February 28, 2014*

**Responsible Manager**

*Human Resources Director*

Sincerely,

  
\_\_\_\_\_  
Molly McCall  
Department of Human Resources

  
\_\_\_\_\_  
A.C. Gonzalez  
Interim City Manager

- C: *Jeanne Chipperfield, Chief Financial Officer  
Renee Hayden, Internal Control Program Manager  
Dolores Lewis, Benefits Manager  
Claudia Ibarra, Sr. Administrative Assistant, Benefits*



**Memorandum**

RECEIVED

FEB 03 2014

City Auditor's  
Office



CITY OF DALLAS

**DATE:** January 31, 2014

**TO:** Craig D. Kinton, City Auditor

**SUBJECT:** Response to Audit Report: Audit of City of Dallas' Self-Insured Medical Program

This memorandum responds to the audit performed by the Office of the City Auditor to evaluate the Health Plans' compliance with the Privacy and Security Rules associated with HIPAA regulations. The Privacy Officer agrees that implementation of the recommended actions will enhance HIPAA compliance efforts at the City for the impacted areas.

**Recommendation VI**

We recommend the Privacy Officer:

- Conduct ongoing compliance monitoring activities.

**Management Response / Corrective Action Plan**

Agree  Disagree

The Compliance Program identified and assessed the privacy risks and controls to safeguard the Health Plans' PHI. The Privacy Officer will conduct ongoing compliance monitoring activities.

- Review all system-related information security plans to ensure alignment between security and privacy practices.

**Management Response / Corrective Action Plan**

Agree  Disagree

The Compliance Program intends to review measures implemented to attain compliance with the security rule and as necessary to assure that "reasonable and appropriate protection" of ePHI is routinely attained. The Compliance Program collaborated with CIS to identify a vendor to perform the risk analysis in FY 2013-2014. Following the risk analysis, the Compliance Program will develop and implement a matrix for ongoing compliance monitoring.

**Implementation Date**

September 30, 2015

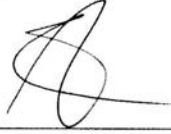
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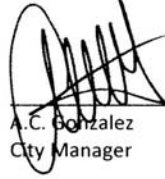
**Responsible Manager**

Interim Compliance Officer

Sincerely,



Scholarstica Philippa Akem  
Interim Compliance Officer



A.C. Gonzalez  
City Manager

C: Tony Aguilar, Assistant Director, Communication and Information Services  
Renee Hayden, Internal Control Program Manager, Office of the City Manager

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An Audit Report on –  
City of Dallas' Self-Insured Medical Program

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**Memorandum**

**RECEIVED**  
JAN 22 2014  
City Auditor's Office



DATE: January 17, 2014  
TO: Craig D. Kinton, City Auditor  
SUBJECT: Response to Audit Report: Audit of City of Dallas' Self-Insured Medical Program

Our responses to the audit report recommendations are as follows:

**Recommendation VII**

We recommend the Director of CIS:

- Develop procedures to ensure compliance with the *City's Policies and Procedures for HIPAA Compliance*, including the HITECH Act security standards
- Implement ongoing monitoring activities to ensure compliance with the newly developed procedures

**Management Response / Corrective Action Plan**

Agree  Disagree

CIS will develop procedures and implement ongoing monitoring activities as specified in the recommendation.

**Implementation Date**

September 30, 2015

**Responsible Manager**

Rowland Uzu

**Recommendation VIII**

We recommend the Director of CIS:

- Perform HIPAA security risk assessments and ongoing security audits

**Management Response / Corrective Action Plan**

Agree  Disagree

"Dallas: the City that Works: Diverse, Vibrant, and Progressive."

**An Audit Report on –  
City of Dallas' Self-Insured Medical Program**

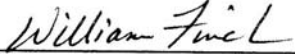
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A HIPAA security risk assessment is being performed in FY 2013-2014 by an outside consultant. Targeted completion date of the security risk assessment is July 1, 2014. Based on the results of the assessment and upon funding approval in FY 2014-2015 and following years, CIS will engage an outside consultant to perform ongoing risk assessments and security audits.

**Implementation Date**  
September 30, 2015

**Responsible Manager**  
Rowland Uzu

Sincerely,

  
\_\_\_\_\_  
William Finch  
Department of Communication and  
Information Services

  
\_\_\_\_\_  
Jill A. Jordan, P.E.  
Assistant City Manager

C: Tony Aguilar, Assistant Director, Communication and Information Services  
Renee Hayden, Internal Control Program Manager, Office of the City Manager

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