

July 3, 2018

## Sick without pay benefits audit

### Background

The City values the health and well-being of employees and provides extensive support for employees and their families. Benefits available include dental coverage, extended health and life insurance plans. On May 1, 2018 the City changed benefits providers from Pacific Blue Cross to Green Shield Canada which provides the best value for the administration of the City's health and dental benefits.

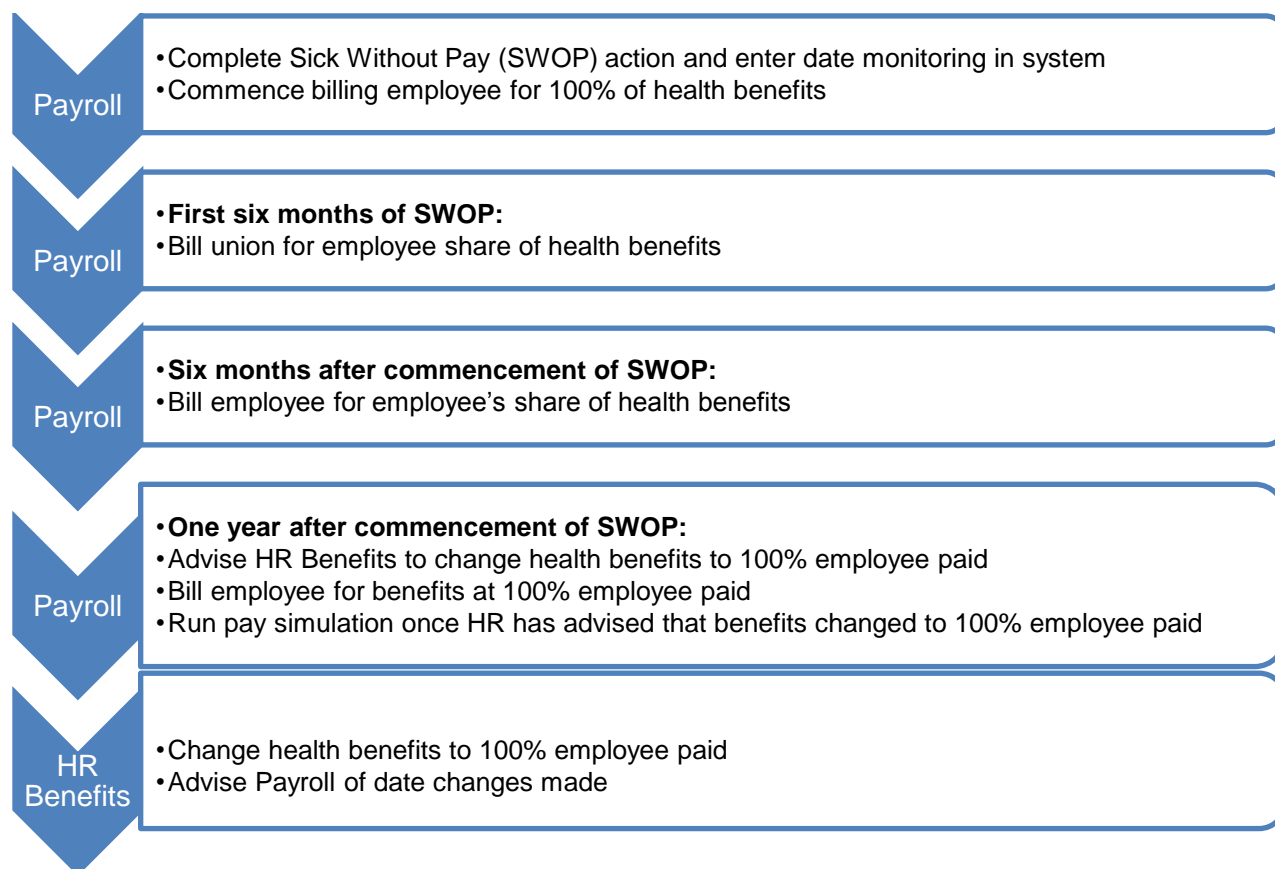
In 2017, a CUPE 15 employee was found to have been off sick without pay over 12 months and the City continued to pay for extended health premiums for 28 months at which point the employee had retired. This instance triggered the audit to identify if there were any more similar cases.

For employees that are on leave without pay, benefits are paid for as follows.

<b>PAID BY:</b>	<b><i>Extended Health Premium (Employee's contribution)</i></b>	<b><i>Extended Health Premium (Employer's contribution)</i></b>	<b><i>Supplementary Life Insurance Premiums</i></b>
<b><i>Months 1-6</i></b>	Union	City	Employee
<b><i>Months 7-12</i></b>	Employee	City	Employee
<b><i>CUPE 1004: Months 7-24</i></b>			
<b><i>Months 13+</i></b>	Employee	Employee	Employee
<b><i>CUPE 1004: Months 25+</i></b>			

In short, employees pay the extended health premiums after 12 or 24 months of being on leave depending on the applicable collective agreement.

Current department responsibilities for Sick without Pay (SWOP) for CUPE 15 are depicted below:



## Scope

Our audit objective was to provide reasonable independent assurance that the existing internal controls and business processes relating to payments of benefits for employees that are off sick without pay are adequate, effective and in accordance with collective agreements. The audit investigated cases where the current SAP system shows benefit coverage that is not being paid for by the employee.

Using data analysis the audit investigated whether:

- Any employees currently on extended leave where the City pays benefits after the grace period.
- Cases where the City pays benefits for employees that are no longer working at the City.
- Persons enrolled with the Green Shield Canada benefits that is not a City employee.

The audit is not designed to detect fraud. Accordingly there should be no such reliance.

### Conclusion

Benefits cancellation and arrears processes require improvement. Management has committed to strengthen internal controls and enhance operational efficiency by improving benefits processes and regular reviews to ensure benefits are paid for appropriately. Clear responsibilities, standardized processes and guidelines need to be established for staff.

The more significant findings and recommendations are:

#### **E.1 Establish responsibility for the benefits cancellation process**

The current benefits cancellation process involves the Payroll department sending letters to employees informing them that their benefits will be cancelled at a certain date unless they pay for the outstanding benefit arrears. The process for cancellation of benefits is ad-hoc, not documented and involves a series of reminder letters sent prior to cancelling benefits. Under the current process it is not clear whether the responsibility for benefits cancellation rests with the HR or Payroll department. Formalizing the business process and establishing roles and responsibilities will ensure a consistent approach and efficiency gains.

#### **E.2 Improve and document the benefits arrears process**

The Payroll department tracks benefit arrears in spreadsheets. This manual process is time consuming and not standardized. The benefit arrears process needs to be documented and include clear guidelines and parameters to improve efficiency. Formalizing of business processes will ensure a consistent approach.

Findings and recommendations have been discussed with management and responses incorporated in this report.