

**2023-02E Employee Benefits Review**



City Manager's Office  
Internal Audit Division

**Status of Management Responses & Action Plans  
As of March 2025**

**Human Resources Department**

**Management Responses & Action Plans**

Observation and Effect	Recommendation	Management Responses & Action Plans
<b>1 Develop Written Policies and Procedures for Administering and Recording Employee Benefits</b>		
<p>a BerryDunn recommends the City develops policies and procedures for all aspects of employee benefits administration, including employee elections, deferred compensation, retiree premium deductions, and retirement payoffs. These policies should provide step-by-step guidance on each process, specify who is responsible for tasks, and outline the documentation required at each stage. In addition, the City should establish policies that all information used to support the administration of employee benefits be stored in a centralized location. This will help ensure consistency and accuracy across all employee benefits processes.</p>	<p>Develop policies and procedures for all aspects of employee benefits administration.</p>	<p>HR has developed a collection of documented policies and desk manuals that details all the aspects of employee benefits administration listed. The collection of policies and manuals are maintained in a shared folder in the cloud storage space and is titled, Internal Human Resources Team.</p>
<p>b We also recommend that the City update physical change request forms to include a historical record of employee benefits elections, including any changes made (such as adding or removing dependents). Change forms should identify the selected benefit plans, so the employee is providing their approval of the plan and rate for each change. This would provide the employee the opportunity to confirm their plan selection, helping to reduce the chance that an employee is enrolled in an incorrect plan.</p>	<p>Update physical change request forms to include a historical record of employee benefits elections.</p>	<p>We maintain the elections changes in the category-based payroll packets for each payroll period as we have determined this to be the most efficient methodology available with our current resources.</p>
<p>c In addition, we recommend that the City also develop a formal process for conducting retirement benefit meetings, which includes standardized documentation and tools for calculating premium deductions and retirement payoffs. The City should create a checklist or form for the Benefits Manager or any other staff member conducting the meeting to follow. This would help ensure that all aspects of the employee's benefits and leave balances are discussed and documented.</p>	<p>Develop a formal process for conducting retirement benefit meetings.</p>	<p>HR has developed standardized Excel worksheets for each Collective bargaining agreements that delineate payouts and benefit subsidies. Standardized forms reflective of those instructions, are provided to employees regarding retiree health insurance elections and leave pay out calculation estimates whereby employees can inform payroll of preferred handling of retirement payouts. Payroll makes final calculation of hours.</p>
<p>d We also recommend that the City establish a process to document any changes to an employee's FMLA leave, such as an extension of the leave period or beginning earlier than expected. The City should update the original FMLA approval form or attach an updated version to reflect the new start and end dates. The updated form should be stored in the employee's file, and a copy should be provided to the employee and their manager to help ensure awareness of the revised leave period.</p>	<p>Establish a process to document any changes to an employee's FMLA leave, such as an extension of the leave period or beginning earlier than expected.</p>	<p>The City-wide Policy, and corresponding FMLA processes were updated in 2023 and documented in standard operating procedures. Key benchmarks are calendared for follow-up and ultimately closure. Requests for recertification and return to work certifications are made two weeks prior to the end of FMLA time. Leave time hours and paid banks are reviewed after each payroll and anomalies from the designation noted and reported to the BP who collaborates with the employee. Resulting changes to certifications are documented with new designations. Review and closure process for FMLA cases were formalized in 2024 which includes a review of hours and closure of FMLA claims with the employee, payroll liaison and supervisor. These items were not in place during the time period of the audit.</p>

Internal Audit Comments: While a collection of documented policies and desk manuals have been created and available to the team in a centralized location, the policy for the employee elections procedure (part a) and a formal process for conducting retirement benefit meetings (part c) have not been developed. Audit will conduct follow-up on this item in six months to review the newly developed documents and verify they provide "step-by-step guidance on each process, specify who is responsible for tasks, and outline the documentation required at each stage." as recommended.

Observation and Effect	Recommendation	Management Responses & Action Plans
<b>2 Employ a Standardized Procedure to Update and Record Deferred Compensation Selections</b>		
a BerryDunn recommends that the City establishes policies and procedures to maintain historical records of all changes in deferred compensation deductions for each employee and store these records in a central location. Whenever a change is made, whether through the online portal or other methods, a copy of the updated deduction report should be placed in the employee's file to maintain a historical record.	Establish policies and procedures to maintain historical records of all changes in deferred compensation deductions for each employee and store these records in a central location.	Current procedures have been established for our process and all the recommendations are not feasible with our current payroll software.
b We also recommend that the City improve confirmation procedures for manual changes. When deferred compensation changes are made through non-portal methods (e.g., emails or forms), the City should require confirmation of the total deduction amount from both the employee and Central Payroll. This confirmation should be documented and stored alongside the original request to provide a complete audit trail.	Whenever a change is made, whether through the online portal or other methods, a copy of the updated deduction report should be placed in the employee's file to maintain a historical record.	We maintain the elections changes in the category-based payroll packets for each payroll period as we have determined this to be the most efficient methodology available with our current resources. We acknowledge this methodology is less than ideal, it stalled audit testing and resulted in fewer records tested.
	We also recommend that the City improve confirmation procedures for manual changes. When deferred compensation changes are made through non-portal methods (e.g., emails or forms), the City should require confirmation of the total deduction amount from both the employee and Central Payroll.	The city does confirm deferred compensation changes as a long-standing practice and due to the storage methodology previously stated, there can be problems with the retrieval process when historical documents are needed.
	This confirmation should be documented and stored alongside the original request to provide a complete audit trail.	We maintain the elections changes in the category-based payroll packets for each payroll period.
<b>Internal Audit Comments:</b> No further audit follow-up is required; report recommendations have been implemented adequately.		
<b>3 Establish a Standardized Process for Recording Benefit Elections from Quasi-governmental Employees</b>		
a BerryDunn recommends that the City establish formal documentation process for employee benefit elections from quasi-governmental entities. The City should collect employee elections forms for all employees from quasi-governmental agencies and document any changes. This will create a clear record of their selections, allowing for accurate verification of payments made by the quasi-governmental agencies to the City.	Establish formal documentation process for employee benefit elections from quasi-governmental entities.	HR has established a formal documentation process and training program for the quasi-governmental entities employee benefits election administration, ensuring consistent procedural application.
b Additionally, establishing a standardized procedure for communicating changes in benefits will help ensure that all modifications are properly documented and tracked. Regular audits of benefit enrollments and payments should be conducted to confirm the accuracy of reports and billing between the City and the quasi-governmental agencies. By taking these steps, the City can reduce the risk of financial discrepancies and complications.	Establish a standardized procedure for communicating changes in benefits will help ensure that all modifications are properly documented and tracked. Regular audits of benefit enrollments and payments should be conducted.	HR has implemented a standardized procedure for recording and reconciling monthly census data and enrollment changes for quasi-governmental entities, ensuring accurate billing and record-keeping.
<b>Internal Audit Comments:</b> Audit will conduct follow-up on this item in six months to review the new policy and verify it provides a "step-by-step guidance on each process, specify who is responsible for tasks, and outline the documentation required at each stage." as recommended.		

Observation and Effect	Recommendation	Management Responses & Action Plans
<b>4 Increase communication between HR and Central Payroll to help ensure the accuracy of records and cash-outs</b>		
<p>a BerryDunn recommends that the City establish a more coordinated approach between the HR and Central Payroll related to retiree payoffs. The City should implement procedures that help ensure any adjustments made by Central Payroll to the retiree payoff calculations are promptly communicated back to the benefits manager. The benefits manager should maintain a final record that includes each employee's payoff calculation. This can be achieved by implementing a consistent notification process that provides updated ending leave balances and any changes made between initial payoff calculation and the employees termination date.</p>	<p>Establish a more coordinated approach between the HR and Central Payroll related to retiree payoffs.</p> <p>The City should implement procedures that help ensure any adjustments made by Central Payroll to the retiree payoff calculations are promptly communicated back to the benefits manager. The benefits manager should maintain a final record that includes each employee's payoff calculation.</p>	<p>HR has developed standardized Excel worksheets for each CBA to be used during the retirement cash-out process to enhance the coordination between HR and Central Payroll. The worksheet includes retiree payout estimates and health insurance intent worksheets.</p> <p>The discrepancies noted by the auditors appear to be due to differences in estimates and final calculation. Which could be the usage of hours in the interim time, cashouts taken, etc. The Benefits Manager only provides estimates of payouts given a snapshot in time for the employee's planning purposes, and Central Payroll will calculate the final payout based upon the balance at the exact date of separation just as they would in the case of a termination.</p>
<p>b Additionally, the benefits team should conduct regular audits of the payoff calculations against the final figures provided by Central Payroll. This will help ensure the payments made to retirees are accurate and well-supported by documentation. By enhancing communication and oversight between divisions, the City can reduce discrepancies in retiree payoffs.</p>	<p>Conduct regular audits of the payoff calculations against the final figures provided by Central Payroll. This will help ensure the payments made to retirees are accurate and well-supported by documentation.</p>	<p>We recognize regular audits are recommended and have determined our resources will not be used on this task at this time.</p>
<p><b>Internal Audit Comments:</b> No further audit follow-up is required; report recommendations have been implemented adequately.</p>		