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## Employee Share of Health Insurance Premiums

Governance & Audit Report No. 2022-6

Report Issued September 26, 2022

## EXECUTIVE SUMMARY

### Background

July 2022 the Finance Department requested Governance and Audit to work on a review of the employee share of health insurance premium deductions that are in arrears.

Our assessments are performed in accordance with the professional practice standards of the Institute of Internal Auditors. This report was prepared for use by IndyGo’s Board of Directors, Governance and Audit Committee, and Management.

### Objective, Scope, and Approach

Our primary objective in performing this process review was to evaluate the number of past and current employees that are in arrears in health insurance premiums and potential dollar amounts owed to IndyGo.

Accordingly, our scope included reviewing:

- ADP Deduction Arrears Reports
- Current employment status of those in arrears
- ADP Employee Leave Reports

Provide an update to IndyGo Management to determine an Action Plan.

Our approach included performing interviews with members of IndyGo Payroll and the Department of People & Teammate Experience along with requesting reports from each.

### Overall Report Rating & Observations

*(See Appendix A for definitions)*

	Report Rating	Number of Observations by Rating		
		High	Medium	Low
<b>Training</b>	<b>Medium</b>	<b>1</b>	<b>0</b>	<b>0</b>

### Overall Summary and Highlights

Comparisons were performed between the ADP Insurance Premium Arrears Report at the end of 2021 through the Arrears Report for August 2022.

Employment statuses were researched for each person on the respective reports to determine if they were still employed by IndyGo as of August 2022.

A meeting was held August 15, 2022, with the IndyGo President & CEO, Department of People & Teammate Experience, Finance and Chief Policy & Labor Relations Officer. An action plan was developed for prevention of future health insurance premium arrears cases as well as collection of those currently in place.

We would like to thank IndyGo staff and all those involved in assisting us in connection with the audit. Questions should be addressed to the IndyGo Department of Governance and Audit at: [batkinson@indygo.net](mailto:batkinson@indygo.net).

## EXECUTIVE SUMMARY *(CONTINUED)*

### OBSERVATIONS SUMMARY

Following is a summary of the observations noted. Definitions of the observation rating scale are included in Appendix B.

Governance and Audit Observations	
Recommendation Title	Rating
1. Employee Share of Health Insurance Premiums in Arrears	High

## 1. Employee Share of Health Insurance Premiums in Arrears

<p><b>Observation:</b> IndyGo has a significant number of employees and past employees who are in arrears on the employee share of health insurance premiums.</p>	<p><b>Recommendation:</b> To improve IndyGo’s process of collecting employee share of health insurance premium from employees who are on extended leave and attempt to collect arrears amount owed from previous employees.</p>	
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### Observation Rating: High

<p>Possible reasons an employee ends up in an out of pay status and do not have pay to deduct the normal employee share of health insurance premiums:</p> <ul style="list-style-type: none"> <li>Extended Illness Event</li> <li>Family Medical Leave</li> <li>Workers Compensation Leave</li> <li>Military Leave</li> <li>Short Term Disability</li> <li>Long Term Disability</li> </ul> <p>The amount owed by each employee in arrears varies depending on the time they are out of pay status and the insurance options selected during enrollment. Arrears amounts range from \$7 to \$5K.</p> <p>Number of employees in arrears:</p> <ul style="list-style-type: none"> <li>At year end 2021 there were 135 cases. 53 were still in employed status and 82 were in terminated status as of August 2022.</li> <li>At the first of August 2022 there were 74 cases. 73 were still in employed status and one was in terminated status.</li> </ul>	<p>Determine a standard cut off period for health insurance for employees who are no longer in pay status that meets Federal Family Medical Leave Guidelines.</p> <p>During payroll preparation review the ADP reports that contain information related to insurance premiums in arrears and employee leave status.</p> <p>Develop a payment plan for current employees who are in arrears to reimburse and stay current for the amount owed to IndyGo.</p> <p>Look into collection methods for terminated employees to recover the amounts owed to IndyGo.</p>	<p><b>Management Action Plans:</b></p> <p>The Union Contract was verified that neither the Corporation nor the Union have any responsibility or monies to advance funds on behalf of any employee to maintain coverage in effect.</p> <p>To avoid termination of benefits, a 30-day grace period to pay balance in full or arrange a payment plan will be established and agrees with FLMA regulations.</p> <p>Letters were developed to be sent to all employees who have not had coverage turned off and is at least 15 days behind explaining payment options. Two versions of the letter were developed for Union and Non-Union Employees.</p> <p>A list of the top 10 amounts has been provided to the Legal Department as a sample to try a test legal collection process.</p>
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The Legal Department has been in contact with both outside counsel and the DOL Director of Wage and Hour to develop a collection plan that is allowable by Indiana statute.

The Payroll Department in Finance will be reviewing terminations that may have an arrears balance for deductions from last pay issued.

**Responsible Parties:**

IndyGo Finance Department

IndyGo Department of People and Teammate Experience

**Due Dates:**

Current – Processes are now in place.

## APPENDIX A – RATING DEFINITIONS

Observation Rating Definitions		Report Rating Definitions	
Rating	Definition	Rating	Explanation
<b>Low</b>	Process improvements exist but are not an immediate priority for IndyGo. Taking advantage of these opportunities would be considered best practice for IndyGo.	<b>Low</b>	Adequate internal controls are in place and operating effectively. Few, if any, improvements in the internal control structure are required. Observation should be limited to only low risk observations identified or moderate observations which are not pervasive in nature.
<b>Medium</b>	Process improvement opportunities exist to help IndyGo meet or improve its goals, meet or improve its internal control structure, and further protect its brand or public perception. This opportunity should be considered in the near term.	<b>Medium</b>	Certain internal controls are either: <ol style="list-style-type: none"> <li>1. Not in place or are not operating effectively, which in the aggregate, represent a significant lack of control in one or more of the areas within the scope of the review.</li> <li>2. Several moderate control weaknesses in one process, or a combination of high and moderate weaknesses which collectively are not pervasive.</li> </ol>
<b>High</b>	Significant process improvement opportunities exist to help IndyGo meet or improve its goals, meet or improve its internal control structure, and further protect its brand or public perception presents. This opportunity should be addressed immediately.	<b>High</b>	Fundamental internal controls are not in place or operating effectively for substantial areas within the scope of the review. Systemic business risks exist which have the potential to create situations that could significantly impact the control environment. <ol style="list-style-type: none"> <li>1. Significant/several control weaknesses (breakdown) in the overall control environment in part of the business or the process being reviewed.</li> <li>2. Significant non-compliance with laws and regulations.</li> <li>3. High observations which are pervasive in nature.</li> </ol>
<b>Not Rated</b>	Observation identified is not considered a control or process improvement opportunity but should be considered by management or the board, as appropriate.	<b>Not Rated</b>	Adequate internal controls are in place and operating effectively. No reportable observations were identified during the review.