

INTERNAL AUDIT DIVISION I
OFFICE OF INTERNAL OVERSIGHT SERVICES

TO: Ms. Laura Londén
A: Officer-in-Charge, Administration
UNAMSIL

DATE: 5 April 2006

REFERENCE: AUD-7-5:73 (00193 /06)

FROM: Dagfinn Knutsen, Acting Director
DE: Internal Audit Division I, OIOS



SUBJECT: **OIOS Audit No. AP2006/622/03: Medical insurance plan (MIP) in UNAMSIL**
OBJET:

1. I am pleased to present herewith our final report on the audit of the above subject, which was conducted during February 2006. The audit was conducted in accordance with the standards for the professional practice of internal auditing in United Nations organizations.

2. We note from your response to the draft report that UNAMSIL has generally accepted the recommendations contained in the draft report. Based on the response, we are pleased to inform you that we have closed recommendations 2, 6 and 9 in the OIOS recommendations database. In order for us to close the remaining recommendations (i.e., 1, 3 to 5, 7 and 8), we request that you provide the information specified in the text of the report. Please refer to the recommendation number concerned to facilitate monitoring of their implementation status. Please note that OIOS will report on the progress made in implementing its recommendations, particularly those designated as critical, in its annual report to the General Assembly and semi-annual report to the Secretary-General.

3. IAD is assessing the overall quality of its audit process and kindly requests that you consult with your managers who dealt directly with the auditors and complete the attached client satisfaction survey form.

4. I take this opportunity to thank the management and staff of UNAMSIL for the assistance and cooperation provided to the auditors in connection with this assignment.

I. INTRODUCTION

5. UNAMSIL administers a Medical Insurance Plan (MIP or the Plan) for its local staff. The cost of the Plan is shared by subscribers and the Mission. The purpose of MIP is to assist subscribers and their eligible family members in meeting the cost of health service, facilities, and supplies. Under the Plan, staff members are entitled, subject to certain conditions and limitations, to reimbursement for hospital expenses, professional service and medications, mental and nervous care, optical and hearing, and dental. In 2005, the Mission settled a total of 187 claims

totaling \$48,000. The Mission is reimbursed for settled claims, through the United Nations Headquarters in New York (UNHQ), by the insurance underwriter.

6. The comments made by the Management of UNAMSIL on the draft audit report have been included in the report as appropriate and are shown in italics.

II. AUDIT OBJECTIVE, SCOPE AND METHODOLOGY

7. The objective of the audit was to ascertain compliance with established policies on MIP and to determine whether existing internal controls are adequate and effective to ensure the accuracy of subscribers' contributions to the Plan and reimbursed claims. The audit covered the period July to December 2005 and involved the reviews of pertinent records and discussions with responsible Mission staff. The audit did not cover reimbursement to the Mission by the insurance underwriter with respect to settled claims since the reimbursement is processed at UNHQ.

III. OVERALL ASSESSMENT

8. Internal controls over MIP need to be further strengthened. The Mission needs to determine and use reasonable and customary charges for professional services and medicines in screening MIP claims. Also, effective steps have to be taken to ensure the accuracy of subscribers' contributions to the Plan and claims.

IV. AUDIT FINDINGS AND RECOMMENDATIONS

A. Inadequate claim review procedures

Customary and reasonable costs not properly established

9. The administering office (i.e. the Mission's Personnel Section) should reimburse MIP-related claims on the basis of the reasonable and customary charges applicable at the duty station (i.e. Sierra Leone). Reasonable and customary charges refer to the prevailing pattern of charges for professional and other health services in Sierra Leone. OIOS observed that in screening claims, the Mission's personnel are guided by a "drug cost list". However, although the screenings are performed almost entirely by staff who are not medical practitioners and/or who have no background in the field of medicine, the "drug cost list" appeared not to have been properly reviewed and approved by the Mission's Administration. In addition, it appeared that the list had not been updated regularly. The Mission could not indicate exactly when the list was first prepared. There was also the need for an approved list of professional services that could be used by the Mission to ascertain if invoices had been issued by licensed healthcare providers and distributors of medicines. In Sierra Leone, there is a Pharmacy Board which certifies pharmacies. A list of certified pharmacies can be obtained from the Board and used for vetting MIP claims. A list of qualified physicians and doctors may also be compiled by the Mission in consultation with the Mission's Medical Services Section, World Health Organization and the Ministry of Health of the Republic of Sierra Leone.

Recommendation 1

OIOS recommends that UNAMSIL and/or its follow-on Mission, UNIOSIL, properly establish and use the reasonable and customary costs of professional services and medicines in Sierra Leone for screening MIP claims (AP2006/622/03/01).

10. *UNAMSIL/UNIOSIL accepted recommendation 1 and stated that the drug list costs maintained by the Personnel Section were compiled through pharmacy surveys. However, the Mission will request its Chief Medical Officer to obtain updated professional services and medication costs. Recommendation 1 remains open pending receipt of the updated list for professional services and medication costs from the Mission's Chief Medical Officer.*

Criteria needed for identifying claims to be referred to Medical Services Section

11. Consultation between the Personnel Section and the Mission's Medical Services Section could help ensure the proper screening of claims. However, there are no clear criteria on the type of claims that should be referred to the Medical Services Section. As a result, it appeared that claims are almost always screened by the Personnel Section that, as indicated in paragraph 7 above, does not have the appropriate expertise to properly screen them. OIOS examined 65 claims totaling \$15,000 (or 33 per cent of 2005 claims) processed during January, June, November, and December 2005. None of the reviewed claims was referred to the Mission's Medical Services Section. In addition, since there were no criteria, it was not possible to ascertain if any of the claims needed to be referred to the Mission's Medical Services Section.

Recommendation 2

OIOS recommends that UNAMSIL and/or its follow-on Mission, UNIOSIL, establish criteria that could be used in identifying claims that should be referred by the Personnel Section to the Medical Services Section for review prior to disbursement (AP2006/622/03/02).

12. *UNAMSIL/UNIOSIL accepted recommendation 2 and provided documentation to show that it has been implemented. Based on the action taken by the Mission, recommendation 2 has been closed.*

B. Contributions withheld from staff not accurate

13. The Mission withholds a portion of each subscriber's salary representing the subscriber's contribution to MIP. The amount withheld depends on the number of insured – i.e. the subscriber plus eligible dependents. OIOS sought to determine the accuracy of the amounts withheld from all subscribers who submitted MIP-related claims in November 2005. In 11 out of 21 (or more 50 per cent) reviewed cases, the withheld contributions were incorrect. Table 1 in Annex I contains the list of discrepancies found. Apparently, the Finance Section failed to accurately enter in its Payroll System, PROGEN, the percentages used in calculating and

withholding subscribers' contributions. It was observed that the Personnel Section provides updates to the Finance Section with respect to changes in the numbers of dependents of subscribers that typically result in changes to the amounts withheld from subscribers' salaries. Although the Finance Section accurately changed the number of dependents, it failed to simultaneously change the applicable percentages. In OIOS' view, the circumstances need to be investigated and responsible staff members held accountable. In accordance with Financial Rule 101.2, any staff member who contravenes the Financial Regulations and Rules or administrative instructions may be held personally accountable and financially liable for his/her actions.

Recommendations 3 to 5

OIOS recommends that UNAMSIL and/or its follow-on Mission, UNIOSIL:

- (a) Undertake a thorough review to correct entries in PROGEN, used for calculating subscribers' contributions to the Medical Insurance Plan (AP2006/622/03/03);
- (b) Investigate the circumstances surrounding the withholding of incorrect contribution amounts and hold responsible personnel accountable for any lapses (AP2006/622/03/04); and
- (c) Identify and reimburse subscribers with respect to excessive withholding and recover from subscribers the amounts not previously recovered (AP2006/622/03/05).

14. *UNAMSIL/UNIOSIL accepted recommendation 3 and stated that the PROGEN database has been corrected and measures are being put in place to enhance accuracy of data entry. The Mission also accepted recommendation 4 and stated that all MIP computations since March 2005 are being reviewed to detect errors. For staff still in service, payroll adjustments will be made to correct the errors, and for departed staff, the Organization's portion of MIP contributions will be adjusted retroactively. The issue of holding staff accountable is only relevant where departed staff received MIP reimbursements in respect of subscribers for whom no contributions were withheld, and the Mission will hold staff accountable if there is cost to the Organization. UNAMSIL/UNIOSIL also accepted recommendation 5 and stated that the Finance Section is reviewing past computations to identify errors. Recommendations 3, 4, and 5 remain open pending receipt of documentation from the Mission showing that they have been fully implemented, including the financial impact of erroneous entries in PROGEN and the aggregate amount recovered from the concerned subscribers.*

C. Claims Reimbursement

15. The Personnel Section screens each claim to determine its validity – i.e., whether the claim is reasonable, relates to an insured and has adequate supporting documents. The claim is then certified by the Chief Civilian Personnel Office (CCPO) and put in a sealed envelope which is forwarded to the Finance Section for reimbursement. OIOS was informed that in order to

protect the confidentiality of patients, the Finance Section is not allowed to open the sealed envelopes. Therefore, the Finance Section reimburses claims without vetting them. OIOS examined all 65 claims processed during January, June, November, and December 2005 and sought to determine if reimbursed claims were valid. In general, reimbursed claims were valid. However, there were some discrepancies which are summarized in Table 2. The net overpayment/erroneous payment relating to the reviewed claims total Leone 8.4 million (about \$1,170) or approximately four percent of the total amount of reimbursed claims in 2005. In our view, the circumstances need to be investigated and responsible staff members held accountable. In accordance with Financial Rule 101.2, any staff member who contravenes the Financial Regulations and Rules or administrative instructions may be held personally accountable and financially liable for his/her actions.

Table 2: Claims with doubtful validity

| No. | Subscriber Index | Claim Date | Voucher # | Amt paid (in Le) | Amount payable (in Leone) | Remarks |
|-----|------------------|------------|------------|------------------|---------------------------|-----------------------|
| 1 | 308019 | Jan'05 | 5-30-02110 | 496,800 | - | Incomplete documents. |
| 2 | 572279 | Jan'05 | 5-30-06020 | 1,164,000 | - | Incomplete documents. |
| 3 | 318907 | Nov'05 | 5-30-12205 | 1,500,400 | - | Incomplete documents. |
| 4 | 969970 | Nov'05 | 5-30-12220 | 560,000 | 135,000 | Wrong calculation. |

Recommendations 6 to 9

OIOS recommends that UNAMSIL and/or its follow-on Mission, UNIOSIL:

- (a) Undertake a thorough review and update the personnel files of subscribers to ensure that the necessary marriage and birth certificates are available on file (AP2006/622/03/06);
- (b) Investigate the circumstances surrounding the overpayments made to subscribers and hold the responsible personnel accountable (AP2006/622/03/07);
- (c) Reimburse subscribers with respect to claims not previously reimbursed and recover from subscribers the overpayments made to them (AP2006/622/03/08); and
- (d) Improve the review process of MIP claims by establishing a checklist that could be used in guiding reviewers and ensuring that all required supporting documents have been provided (AP2006/622/03/09).

16. *UNAMSIL/UNIOSIL accepted recommendations 6, 7, 8 and 9 and provided documentation to show that they have been implemented. The overpayment in respect of subscriber 969970 will be recovered. However, the Mission explained that the Personnel Section had provided all necessary supporting documents to the Finance Section in respect of the payments made to subscribers. Based on the action taken by the Mission, OIOS has closed*

recommendations 6 and 9. Recommendations 7 and 8 remain open pending receipt of complete supporting documentation for payments made in respect of subscribers 969970, 308019, 572279, and 318907 totaling Leone 3.6 million or \$1,300.

V. ACKNOWLEDGEMENT

17. We wish to express our appreciation to the Management and staff of UNAMSIL for the assistance and cooperation extended to the auditors during this assignment.

Copy to: Mr. Jean-Marie Guéhenno, Under-Secretary-General for Peacekeeping Operations
Mr. Philip Cooper, Acting Director, ASD/DPKO
UN Board of Auditors
Programme Officer, OIOS
Mr. Bolton T. Nyema, Chief Resident Auditor, UNAMSIL

Table 2: Discrepancies between the actual amount of contribution withheld and correct amount of contribution

| Item | Subscriber Index # | Number of Insured (Incl Staff) | Applicable net salary | Imputed Contribution Amount (Leone) | Actual Contribution Withheld (Leone) | Difference (Leone) | Remarks |
|------|--------------------|--------------------------------|-----------------------|-------------------------------------|--------------------------------------|--------------------|----------------------|
| 1 | 111431 | 5 | 479,166 | 8,385 | 8,385 | - | N/A |
| 2 | 142035 | 2 | 622,666 | 7,783 | 6,227 | 1,556 | Rate in PROGEN 1% |
| 3 | 284401 | 4 | 479,166 | 8,385 | 4,791 | 3,594 | Rate in PROGEN 1% |
| 4 | 318907 | 4 | 904,166 | 15,823 | 15,823 | - | N/A |
| 5 | 356104 | 2 | 809,416 | 10,118 | 8,093 | 2,025 | Rate in PROGE 1% |
| 6 | 383527 | 3 | 872,583 | 15,270 | 8,725 | 6,545 | Rate in PROGEN 1% |
| 7 | 410112 | 5 | 872,583 | 15,270 | 15,270 | - | N/A |
| 8 | 440006 | 4 | 872,588 | 15,270 | 8,725 | 6,545 | Rate in PROGEN 1% |
| 9 | 453058 | 1 | 622,666 | 6,227 | 6,227 | - | N/A |
| 10 | 508015 | 3 | 622,666 | 10,897 | 10,897 | - | N/A |
| 11 | 593880 | 5 | 622,666 | 10,897 | 14,010 | (3,113) | Rate in PROGEN 2.25% |
| 12 | 621347 | 1 | 809,416 | 8,094 | 8,094 | - | OK |
| 13 | 736669 | 3 | 479,166 | 8,385 | 4,791 | 3,594 | Rate in PROGEN 1% |
| 14 | 797386 | 6 | 792,416 | 17,829 | 13,867 | 3,962 | Rate in PROGEN 1.75% |
| 15 | 924937 | 4 | 809,416 | 14,165 | 14,165 | - | N/A |
| 16 | 932610 | 4 | 368,416 | 6,447 | 6,447 | - | N/A |
| 17 | 939005 | 5 | 622,666 | 10,897 | 6,226 | 4,671 | Rate in PROGEN 1% |
| 18 | 969970 | 2 | 967,333 | 12,092 | 16,928 | (4,836) | Rate in PROGEN 1.75% |
| 19 | 970632 | 2 | 622,666 | 7,783 | 7,783 | - | N/A |
| 20 | 985102 | 3 | 743,916 | 13,019 | 13,019 | - | N/A |
| 21 | 998144 | 3 | 622,666 | 10,897 | 6,226 | 4,671 | Rate in PROGEN 1% |
| | | Total | | 233,933 | 204,719 | 29,214 | |

UNITED NATIONS



OIOS Client Satisfaction Survey

Audit of: Medical insurance plan (MIP) in UNAMSIL

(AP2006/622/03)

| | 1 | 2 | 3 | 4 | 5 |
|--|--------------------------|--------------------------|--------------------------|--------------------------|--------------------------|
| By checking the appropriate box, please rate: | Very Poor | Poor | Satisfactory | Good | Excellent |
| 1. The extent to which the audit addressed your concerns as a manager. | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| 2. The audit staff's understanding of your operations and objectives. | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| 3. Professionalism of the audit staff (demeanour, communication and responsiveness). | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| 4. The quality of the Audit Report in terms of: | | | | | |
| • Accuracy and validity of findings and conclusions; | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| • Clarity and conciseness; | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| • Balance and objectivity; | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| • Timeliness. | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| 5. The extent to which the audit recommendations were appropriate and helpful. | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| 6. The extent to which the auditors considered your comments. | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| Your overall satisfaction with the conduct of the audit and its results. | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |

Please add any further comments you may have on the audit process to let us know what we are doing well and what can be improved.

Name: _____ Title: _____ Date: _____

*Thank you for taking the time to fill out this survey. Please send the completed survey as soon as possible to:
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