



INTERNAL AUDIT DIVISION  
OFFICE OF INTERNAL OVERSIGHT SERVICES

Reference: AUD-7-5: 21 (04/0953 )

29 November 2004

To: Mr. Legwaila Joseph Legwaila  
Special Representative of the Secretary-General, UNMEE

From: Patricia Azarias, Director  
Internal Audit Division-I  
OIOS

A handwritten signature in cursive script that reads "P. Azarias".

Subject: **OIOS Audit No. AP2004/624/06: Medical Insurance Plan (MIP) for UNMEE  
Local Staff Members**

1. I am pleased to present herewith our final report on the audit of the above subject which was conducted in April and May 2004.
2. We note from your response to the draft report that UNMEE has accepted the recommendations. Based on the response, we are pleased to inform you that we have closed all recommendations in the OIOS recommendations database.
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 UNMEE for the assistance and cooperation provided to the auditors in connection with this assignment.

#### I. INTRODUCTION

5. The Medical Insurance Plan (MIP) is an employee-employer contributory health insurance scheme operated by the United Nations for the benefit of the locally recruited staff and their eligible family members. MIP rules, procedures and guidelines are described in ST/AI/343.

6. In general, MIP administration involves the Personnel, Finance and Medical Sections. The Personnel Section has the lead responsibility in certifying employee and dependents' eligibility, completeness and correctness of MIP claims and maintaining accurate record keeping. The Medical Section is tasked with verifying that medical claims are consistent with reasonable and customary costs for like services. The Finance Section completes the process by reviewing the claims for payment in accordance with the financial regulations.

7. The annual UN contribution to MIP in UNMEE is approximately \$26,960 and \$7,900 by some 240 local staff subscribers. Most services are for general consultations and prescription medications, with a few claims for other allowable medical services e.g., dental, hospitalization and optical. Approximately 30% of the claims examined were for amounts less than \$20.

## **II. AUDIT OBJECTIVES, SCOPE AND METHODOLOGY**

8. The overall objective of the audit was to ascertain whether the UNMEE MIP was managed effectively and efficiently and in compliance with governing programme policy and procedures as set out in ST/AI/343. The audit covered the period from January 2003 to March 2004.

9. A sample of MIP claims was chosen from three separate sources: paid claims, claims database (Field Personnel Management System - FPMS) and MIP records retained by Personnel. Eighty-nine claims were examined from a population of approximately 300 claims processed for the period January 2003 through March 2004.

## **III. AUDIT FINDINGS AND RECOMMENDATIONS**

### **A. Medical facilities in the Mission**

10. UNMEE has a Level I outpatient clinic and a Level II Jordanian Hospital. Each of the medical facilities have specific responsibilities for and limitations on the nature of the medical services that it can provide to local staff under the MIP programme. Prior to 2003, local staff and their dependents used both facilities extensively. Level II hospital services were billed directly to UNMEE at predetermined 'service rates'.

11. UNMEE Administrative Circular No.03/02 dated 8 January 2003 refined the availability of services to local staff for both medical facilities. Level I UN Outpatient Clinic continues to be the primary care provider for Local Staff under Series 300 contracts (ALD), while Level II Jordanian Hospital services were restricted to emergency referrals by the Chief Medical Officer from the Level I clinic.

12. There were examples of MIP claims for referrals from Level I to Level II for dental consultation services. Documentation in support of the referrals and subsequent billings by Level II for reimbursement do not provide any reference as to the urgency of the referral. To the contrary, it suggests that there was no emergency and therefore local and cheaper dental services should have been pursued.

### **Recommendation 1**

UNMEE should ensure that the new CMO complies with Administrative Circular No. 03/02; and the Administrator of Level II Jordanian Hospital restricts service to local staff for emergency cases, with proper documentation evidencing those treated on an emergency (AP2004/624/06/1).

13. *UNMEE accepted and implemented this recommendation.* Recommendation 1 has been closed in the OIOS recommendations database.

## **B. Responsibilities of the Mission's Personnel Section**

### Claims verification procedural weaknesses

14. MIP claims processing places shared responsibility on the claimant and the MIP Personnel clerk to ensure the completeness and correctness of the claims submitted. The MIP Claims Envelope has 22 preprinted information fields as part of the envelope, which must be completed by either the claimant or the MIP personnel clerk before the Chief Civilian Personnel Officer (CCPO) certifies it. The audit noted examples of incompletely filled out claims, which indicates the need for more care and diligence in processing claims as follows:

(i) The MIP clerk's signature or initial on MIP claims, which indicates verification of the claimant's eligibility and calculations of reimbursable amount, was not present in 28 of the claims examined. Therefore, there is no assurance that claims have been reviewed to ensure that claimants' entitlement and financial reimbursement limits are not exceeded.

(ii) Conversion errors from local currency to US dollars and incorrect application of the percentage for reimbursement of services were noted in two cases and these brought to Management's attention for correction.

(iii) Prior to 1 January 2004, MIP claims were not controlled through sequentially assigned numbers, making it both difficult to track individual claims through the personnel and finance systems. The MIP Claims Envelope has a designated field specifically for internal control purposes. OIOS is pleased to note that numerical control of claims has been implemented as a result of its previous recommendation.

### Records management retention weaknesses

15. Prior to remitting claims to the Finance Section for payment, the Personnel Section takes and retains a photocopy of each MIP Claims Envelope. The photocopies are of poor quality, e.g., missing claimants' signatures and CCPO's signature as certifying officer. Therefore, their usefulness as a cross-reference in subsequent claims' verification was compromised.

16. There were examples of MIP Claims Envelopes that were being processed within Finance at the time of the audit, which were not sealed before they left the Personnel Section. Medical information contained within the MIP Envelope is confidential, as clearly stated on the envelopes.

### Unreliability of FPMS

17. Reference is made to OIOS' previous recommendation (AP2003/63/7/053) on the prevailing weaknesses in the maintenance of MIP claimants' FPMS records. An accumulation of

posting errors and incomplete database fields in FPMS were noted: posting of claims amounts to incorrect medical service categories; and incomplete staff member's status as to active or after-service participants.

18. While there is some evidence of improvement in the timely updating of records during the first three months of 2004, the extent of the problem previously reported on the accuracy and completeness of the FPMS was more apparent as a result of the larger audit sample. Continuous monitoring of input to FPMS by supervisors is necessary to identify and correct such errors.

### **Recommendation 2**

The UNMEE CCPO should revisit the procedures to update the FPMS and ensure that previously recognized and current weaknesses have been corrected and that future data inputs to the system are timely and accurate (AP2004/624/06/2).

19. *UNMEE accepted and implemented this recommendation.* Recommendation 2 has been closed in the OIOS recommendations database.

### **C. Level I Clinic – Chief Medical Officer's responsibilities**

20. It is not mandatory under Section 5.3 of ST/AI/343 to remit the MIP claims to the Chief Medical Officer (CMO) for certification. However, it has been a practice that all MIP Claims are referred to the CMO for review and signature on MIP Claim envelopes and enclosed invoices. This practice may have its origin in the fact that medical services were provided and invoiced by the Level II hospital and therefore service rates and facilities were easily verified by the CMO.

21. With the introduction of Administrative Circular No. 03/02, greater use of local community medical facilities and professionals are more evident when MIP claims are submitted for reimbursement. However, the CMO has neither a list of local medical facilities or practitioners nor medical service costs for services and prescriptions against which to evaluate MIP claims as 'reasonable and customary'.

22. Personnel Section recognized this control weakness and initiated steps to correct it while the audit was in progress. However, the value and nature of MIP claims examined during the audit suggests that the CMO's time could be better utilized doing clinical work. The Personnel clerk can complete the verification process as part of current duties and only in exceptional circumstances refer complex and/or high value claims to the CMO.

### **Recommendation 3**

The UNMEE CCPO should establish reference criteria for the validation of medical services and costs and reconsider the need for the CMO to review insignificant claims (AP2004/624/06/3).

23. *UNMEE accepted and implemented this recommendation.* Recommendation 3 has been closed in the OIOS recommendations database.

#### **D. Claims payments**

24. The MIP claims envelopes approved by the CCPO are submitted for payment in accordance with financial procedures and regulations. The accounts clerk processes the MIP claims, but without recording a "Paid" stamp. In the absence of such a stamp, there is a risk that MIP claims envelopes may be re-submitted for a second payment.

25. After MIP claims were verified and Disbursement Vouchers generated by the Finance Clerk, the envelopes were forwarded to the Cashier with the DVs for payment. It is not necessary for the Cashier to have these sealed envelopes for him to make payments since this only increases chances of misplacement or loss.

26. OIOS also found an isolated but unacceptable practice of using correction 'white out' fluid on MIP claims envelopes. Finance Section should reject all MIP claims envelopes that are not original and return them to the CCPO.

#### **Recommendation 4**

The UNMEE Chief Finance Officer should institute a procedure whereby all reimbursed claims are marked or stamped "Paid" and disbursement voucher numbers written on the envelopes in order to eliminate possible fraud. Also MIP claims envelopes should not be forwarded to the Cashier but immediately and securely filed after payment approval (AP2004/624/06/4).

27. *UNMEE accepted and implemented this recommendation.* Recommendation 4 has been closed in the OIOS recommendations database.



OIOS/IAD-1 Client Satisfaction Survey

The Internal Audit Division-1 is assessing the overall quality of its audit process. A key element of this assessment involves determining how our clients rate the quality and value added by the audits. As such, I am requesting that you consult with your managers who dealt directly with the auditors, and complete the survey below. I assure you that the information you provide will remain strictly confidential.

**Audit Title & Assignment No.: Medical Insurance Plan (MIP) for UNMEE Local Staff Members AP2004/624/06**

**By checking the appropriate circle please rate:**

	1 (poor)	2	3	4(excellent)
1. The extent to which the audit addressed your concerns as a programme manager.	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
2. The audit staff's understanding of your operations and objectives.	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
3. The professionalism of the audit staff (communications, integrity, professional knowledge and responsiveness)	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
4. The quality of the audit report in terms of:				
-- accuracy and validity of findings and conclusions	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
-- clarity and conciseness	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
-- balance and objectivity	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
-- timeliness	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
5. The extent to which the audit recommendations were appropriate and helpful.	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
6. The extent to which your comments were considered by the auditors	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
7. Your overall satisfaction with the conduct of the audit and its results.	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

Please comment on any areas in which you have rated the audit team's performance as below your expectations. Also, please feel free to provide any further comments you may have on the audit process to let us know what we are doing well and what can be improved.

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Name: \_\_\_\_\_ Date: \_\_\_\_\_

Title: \_\_\_\_\_

Organization: \_\_\_\_\_

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

*by mail: Ms. Patricia Azarias, Director, Internal Audit Division-1, OIOS  
Room DC2-518, 2 UN Plaza, New York, NY 10017 U.S.A.*

*by fax: 212-963-3388*

*by email: [iad1support@un.org](mailto:iad1support@un.org).*