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INTEROFFICE MEMORANDUM

MEMORANDUM INTERIEUR

OFFICE OF INTERNAL OVERSIGHT SERVICES - BUREAU DES SERVICES DE CONTRÔLE INTERNE
INTERNAL AUDIT DIVISION - DIVISION DE L'AUDIT INTERNE

TO: Mr. Kai Eide
A: Special Representative of the Secretary-General
United Nations Assistance Mission in Afghanistan

DATE: 19 June 2009

REFERENCE: IAD: 09-07572

FROM: Fatoumata Ndiaye, Acting Director
DE: Internal Audit Division, OIOS



SUBJECT: **Assignment No. AP2008/630/04 – Audit of the medical insurance plan in UNAMA**

OBJET:

Internal controls over the administration of the medical insurance plan were inadequate

1. I am pleased to present the report on the above-mentioned audit which was conducted in accordance with the International Standards for the Professional Practice of Internal Auditing.

2. Based on your comments, we are pleased to inform you that we will close recommendations 2 and 5 in the OIOS recommendations database as indicated in Annex 1. In order for us to close the remaining recommendations, we request that you provide us with the additional information as discussed in the text of the report and also summarized in Annex 1.

3. Please note that OIOS will report on the progress made to implement its recommendations, particularly those designated as high risk (i.e., recommendation 1), in its annual report to the General Assembly and semi-annual report to the Secretary-General.

EXECUTIVE SUMMARY

Medical insurance plan in UNAMA

OIOS conducted an audit of the United Nations Assistance Mission in Afghanistan (UNAMA). The overall objective of the audit was to assess the adequacy and effectiveness of internal controls relating to the administration of the medical insurance plan (MIP) for the locally recruited staff in UNAMA. The audit was conducted in accordance with the International Standards for the Professional Practice of Internal Auditing.

OIOS identified areas of improvement in the administration of the medical insurance plan, as follows:

- The Mission had not established the customary and reasonable charges for professional and health services prevailing in Afghanistan; and
- There were instances of reimbursements on inappropriate claims and on claims that were not sufficiently supported as a result of a lack of supervisory controls over the processing of MIP claims.

OIOS has made five recommendations to address the issues identified during the audit to further improve the administration of the MIP in UNAMA. UNAMA accepted OIOS' recommendations and is taking action to implement them.

I. INTRODUCTION

4. The Office of Internal Oversight Services (OIOS) conducted an audit of the medical insurance plan in the United Nations Assistance Mission in Afghanistan (UNAMA). The audit was conducted in accordance with the International Standards for the Professional Practice of Internal Auditing.

5. The Mission maintains a medical insurance plan (MIP) to 1,200 locally recruited staff. The purpose of the MIP is to assist subscribers and their eligible family members in meeting the cost of certain health services.

6. The MIP is a contributory health insurance scheme applicable to locally recruited general service staff members and their eligible family members in field missions. Locally recruited staff members who hold appointments of at least three months, under the 100 or 300 series of staff rules, are eligible to participate in the MIP scheme. Participation is automatic for all eligible staff members holding 100 series appointments. Coverage for family members is optional.

7. The MIP claims for the years 2006 to 2008 are as follows:

Table 1: Medical Insurance Plan Claims

| Year | No. of claims | Amount |
|-------------|----------------------|---------------|
| 2006 | 469 | \$62,298 |
| 2007 | 608 | \$79,751 |
| 2008 | 1,196 | \$121,786 |

8. Comments made by UNAMA are shown in *italics*.

II. AUDIT OBJECTIVES

9. The main objective of the audit was to assess the adequacy and effectiveness of internal controls relating to the administration of the MIP.

III. AUDIT SCOPE AND METHODOLOGY

10. The audit covered the period from January 2006 to 30 October 2008 and included the examination of enrolment of staff and dependents in the plan, accreditation of local clinics/hospitals and medical providers, and the processing of claims at all UNAMA offices. OIOS reviewed 58 claims totaling approximately \$16,000 out of 964 claims aggregating approximately \$69,000 processed during the sample period January to July 2007 and October and November 2008.

IV. AUDIT FINDINGS AND RECOMMENDATIONS

A. Customary and reasonable costs

11. The Mission has not established the customary and reasonable charges for professional and health services prevailing in Afghanistan. Hence, there was the risk of the Mission reimbursing unreasonable and excessive claims.

Recommendation 1

(1) The UNAMA Office of Mission Support should establish the customary and reasonable charges for professional and health services prevailing in Afghanistan to ensure the proper screening of claims.

12. The UNAMA Office of Mission Support accepted recommendation 1 and stated that a price list from recommended hospitals in Kabul, Afghanistan and India had been developed. Recommendation 1 remains open pending verification of the price lists of other hospitals used by staff at other locations including UNAMA regional offices.

B. Reimbursement of claims

13. OIOS' review of 58 claims showed the following discrepancies:

Table 2: Results of OIOS' review of sample claims

| Subscriber Index # | Voucher #/ Claim Date | Amount Paid | Amount Per Audit | Difference | Difference (\$) | Remarks |
|--------------------|--------------------------|-------------|------------------|------------|-----------------|---------|
| 107511 | 7151/Jul '07 | 20,000 AFN | 2,500 AFN | 17,500 AFN | 350 | (a) |
| 704428 | 4073/Apr '07 | 50,000 INR | 0 | 50,000 INR | 830 | (b) |
| 633385 | 4009/Apr '07 | 20,000 INR | 0 | 20,000 INR | 332 | (b) |
| 225405 | 5110/May '07 | 46,440 INR | 0 | 46,440 INR | 771 | (b) |
| 169287 | 7151/Jul '07 | 18,674 INR | 15,873 INR | 2,801 INR | 47 | (c) |
| 480533 | 7151/Jul '07 | 9,933 INR | 8,775 INR | 1,158 INR | 19 | (c) |
| 704428 | 4073/Apr '07 | 48,113 INR | 45,006 INR | 3,107 INR | 71 | (c) |
| Total | | | | | \$2,452 | |

(a) Violation of MIP rule 4.6.2 on the reasonableness of dental charges.

(b) Claims reimbursed without supporting documentation (MIP rule 5.2).

(c) Reimbursement of 100 per cent of amount claimed, instead of only 80 per cent (MIP rule 4.3).

14. The Mission also allowed the reimbursement of two claims pertaining to patients' hotel costs totaling \$239, which should not have been reimbursed in accordance with MIP rule 4.7 on exclusions.

Recommendations 2 and 3

The UNAMA Office of Mission Support should:

- (2) Establish supervisory controls over the processing of medical insurance plan claims to mitigate the risks of errors and overpayments; and**
- (3) Recover from the concerned subscribers the overpayments made.**

15. *The UNAMA Office of Mission Support accepted recommendation 2 and stated that the Personnel Section reviews the claims certified by the Medical Section and ascertains the accuracy of documents submitted on staff and dependants.* Based on the action taken and OIOS' review, recommendation 2 has been closed.

16. *The UNAMA Office of Mission Support accepted recommendation 3 and stated that the amounts overpaid were recovered through payroll in June 2009.* Recommendation 3 remains open pending verification of the recovery of overpayments on medical claims.

C. Documentation supporting claims

17. OIOS' review of sample claims showed the following weaknesses relating to the documentation supporting claims submitted for reimbursement:

- In all 58 claims reviewed, the certifying officer did not indicate whether the claims were within the reimbursable limits. Although reimbursable limits are established per staff per annum, there was no control mechanism in place to track the cumulative amount of claims per staff per year against the reimbursable limit;
- In five of the 58 claims reviewed, entries in the MIP claims envelope were altered using correction fluid and were not signed (or initialed) by the original reviewer for validity of the alteration;
- In two of the 58 claims reviewed, the name of the MIP claimant, stated as patient/beneficiary, differed from the name of the person indicated in the official receipt;
- In nine of the 58 claims sampled, there were no detailed receipts of payments for drugs, medicines, optical lenses and hearing aids, and the receipts did not show the name of the patient and the nature, dates and detailed costs of the service rendered;
- In 13 of the 58 claims reviewed, there were no prescriptions on file; and
- In about 50 per cent of the 58 claims reviewed there was no: (a) documentation showing the diagnosis identifying the type of illness or medical condition of the patient; (b) clinical pathology; or (c) laboratory results to establish the medical procedures/service rendered by the medical providers.

Recommendations 4 and 5

The UNAMA Office of Mission Support should:

(4) Establish a control mechanism to ensure that all claims are checked against the subscribers' reimbursable limits before the claims are certified for payment; and

(5) Improve the review process relating to medical insurance plan claims by establishing a checklist that could be used in guiding reviewers in ensuring that all required supporting documents have been provided.

18. *The UNAMA Office of Mission Support accepted recommendation 4 and stated that the Personnel Section had created an MIP database which tracks staff members and eligible dependants' claims and guards against any possible overpayment. Recommendation 4 remains open pending review of the new MIP database.*

19. *The UNAMA Office of Mission Support accepted recommendation 5 and stated that a checklist was established. Based on the action taken and OIOS' review of the developed checklist, recommendation 5 has been closed.*

V. ACKNOWLEDGEMENT

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

cc: Ms. Neva Donalds, Chief of Mission Support, UNAMA
Mr. Swatantra Goolsarran, Executive Secretary, UN Board of Auditors
Ms. Maria Gomez Troncoso, Officer-in-Charge, Joint Inspection Unit Secretariat
Mr. Moses Bamuwanye, Chief, Oversight Support Unit, Department of Management
Mr. Byung-Kun Min, Programme Officer, OIOS
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STATUS OF AUDIT RECOMMENDATIONS

| Recom. no. | Recommendation | Risk category | Risk rating | C/ O ¹ | Actions needed to close recommendation | Implementation date ² |
|------------|--|-----------------------|-------------|----------------------|---|----------------------------------|
| 1 | The UNAMA Office of Mission Support should establish the customary and reasonable charges for professional and health services prevailing in Afghanistan to ensure the proper screening of claims. | Governance | High | O | Verification of the price lists of other hospitals used by staff at other locations including UNAMA regional offices. | Implemented |
| 2 | The UNAMA Office of Mission Support should establish supervisory controls over the processing of medical insurance plan claims to mitigate the risks of errors and overpayments. | Governance | Medium | C | Action taken. | December 2008 |
| 3 | The UNAMA Office of Mission Support should recover from the concerned subscribers the overpayments made. | Financial | Medium | O | Verification of the recovery of overpayments on medical claims. | June 2009 |
| 4 | The UNAMA Office of Mission Support should establish a control mechanism to ensure that all claims are checked against the subscribers' reimbursable limits before the claims are certified for payment. | Information resources | Medium | O | Review of the new MIP database. | January 2009 |
| 5 | The UNAMA Office of Mission Support should improve the review process relating to medical insurance plan claims by establishing a checklist that could be used in guiding reviewers in ensuring that all required supporting documents have been provided. | Compliance | Medium | C | Action taken. | Implemented |

1. C = closed, O = open

2. Date provided by UNAMA in response to recommendations.