



# INTERNAL AUDIT DIVISION

## REPORT 2017/001

---

Audit of administration of medical insurance at the United Nations Office at Geneva

There is a need to strengthen various aspects of the medical insurance scheme including relationship with participating organizations, programme management and administrative arrangements

24 January 2017  
Assignment No. AE2016/310/01

# **Audit of administration of medical insurance at the United Nations Office at Geneva**

## **EXECUTIVE SUMMARY**

The objective of the audit was to assess the adequacy and effectiveness of governance, risk management and control processes over the management of the medical insurance scheme by the United Nations Staff Mutual Insurance Society against Sickness and Accident (UNSMIS) at the United Nations Office at Geneva (UNOG). The audit covered the period from January 2014 to August 2016 and included a review of UNSMIS relationship with participating organizations, governance and oversight mechanisms, programme management and compliance with applicable policies and procedures.

The UNSMIS Executive Committee met regularly and the premiums were determined based on actuarial studies in accordance with established policies. However, there was a need to strengthen various aspects of the medical insurance scheme at UNOG including UNSMIS relationship with participating organizations, programme management and administrative arrangements.

OIOS made nine recommendations. To address issues identified in the audit, UNOG needed to:

- Formalize its relationship with UNSMIS and quantify and disclose the level of support services provided to and received from UNSMIS.
- Establish Memoranda of Understanding with all participating organizations, including performance indicators and details of how refunds for UNSMIS expenses would be computed.
- Ensure that UNSMIS documents the rationale and value of each existing reserve, obtains formal approval of the Director-General, and communicates them to members as required by the UNSMIS Statute.
- Ensure that UNSMIS: (a) establishes a practice of preparing annual work plans outlining planned activities and expected results; and (b) prepares a register of risks and measures to mitigate them.
- Ensure that UNSMIS strengthens the implementation of its anti-fraud policy by: (a) posting the policy on its website; (b) providing appropriate training of claim officers; and (c) establishing an action plan to adopt fraud detection and trend analysis tools.
- Ensure that UNSMIS establishes mechanisms for periodic reconciliation and independent reviews to assure that the records relating to premium income received from participating organizations that do not use Umoja are accurate and complete.
- Ensure that UNSMIS obtains sign offs from staff that they: (a) agree with the UNSMIS Statute and Internal Regulations; and (b) authorize the use of information in claims for relevant administrative purposes.
- Ensure that UNSMIS initiates a formal bidding process for the selection of a vendor/agent for cost containment in the America region.
- Ensure that UNSMIS strengthens the arrangements for following up receivables.

UNOG accepted and has initiated action to implement the recommendations.

# CONTENTS

	<i>Page</i>
I. BACKGROUND	1
II. AUDIT OBJECTIVE, SCOPE AND METHODOLOGY	2
III. OVERALL CONCLUSION	2
IV. AUDIT RESULTS	2-9
A. Relationship with participating organizations	2-3
B. Governance and oversight mechanisms	3-4
C. Programme management	4-6
D. Regulatory framework	6-9
V. ACKNOWLEDGEMENT	9
ANNEX I      Status of audit recommendations	
APPENDIX I   Management response	

# Audit of administration of medical insurance at the United Nations Office at Geneva

## I. BACKGROUND

1. The Office of Internal Oversight Services (OIOS) conducted an audit of administration of medical insurance at the United Nations Office at Geneva (UNOG).

2. The United Nations Staff Mutual Insurance Society against Sickness and Accident (UNSMIS) was established in 1949 pursuant to Article 6.2 of the United Nations Staff Regulations and Rules which requires the Secretary-General to establish a scheme of social security for staff including reasonable compensation in the event of illness or accident. UNSMIS is a self-funded scheme regulated by its Statute and a set of Internal Rules. Its main objective is to reimburse, within the limits laid down in its Internal Rules, medical expenses incurred by its members arising from sickness, accident and maternity. Claims are financed directly through premium collected from staff, retirees and participating organizations in accordance with cost-sharing ratios approved by the General Assembly.

3. According to its Statute, decisions relating to its operations, amendments to the Internal Rules and contribution levels are taken by the Director-General of UNOG within the framework of the Internal Rules. An Executive Committee comprising of seven members and two alternates appointed by the Director-General and by the Coordinating Council of UNOG provides advice to the Director-General. The UNOG Medical Insurance Section provides secretariat services to UNSMIS. The Section has 29 staff and is headed by a Chief at the P-5 level who reports to the Chief of Financial Resources Management Service (FRMS).

4. In 2015, UNSMIS had 26,662 members and paid benefits totaling CHF 93.7 million (approx. \$95 million). Table 1 summarizes the 2013 and 2014 financial and operational data of UNSMIS. The 2015 financial data had not been finalized at the time of the audit.

**Table 1: Financial and operational data on UNSMIS**

Key financial data/Year	Amounts in US Dollars	
	2013	2014
<b>Income</b>		
Premium income	95,136,586	105,163,727
Interest Income	5,111,879	1,852,325
Miscellaneous income	240,939	597
Total revenue (1)	<b>100,489,404</b>	<b>107,016,649</b>
<b>Expenses</b>		
Claims reimbursements	89,287,555	98,714,616
Staff and other operating expenses	3,108,886	2,740,849
Total expenses (2)	<b>92,396,441</b>	<b>101,455,465</b>
Exchange rate gain/loss (3)	2,665,599	(14,228,608)
Excess / Shortfall of income over expenditure: (1)-(2)+(3)	<b>10,758,562</b>	<b>(8,667,424)</b>
<b>Reserves</b>		
Reserves and Fund balance at year end	141,284,268	128,961,445
<b>Membership</b>		
Serving members and their dependents	18,206	18,918
Retired members and their dependents	6,034	6,210

5. Comments provided by UNOG are incorporated in italics.

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

6. The objective of the audit was to assess the adequacy and effectiveness of governance, risk management and control processes over the administration of medical insurance at UNOG.

7. This audit was included in the 2015 risk-based work plan of OIOS due to risks associated with administering and managing the large volume of members and their medical claims.

8. OIOS conducted this audit from September to November 2016. The audit covered the period from January 2014 to August 2016. Based on an activity-level risk assessment, the audit covered higher and medium risk areas in the management of medical insurance including relationship with participating organizations, governance and oversight mechanisms, programme management, and compliance with applicable policies and procedures.

9. The audit methodology included: (a) interviews of key personnel; (b) review of relevant documentation; (c) analytical review of data; and (d) sample testing.

## **III. OVERALL CONCLUSION**

10. The UNSMIS Executive Committee met regularly and the premiums were determined based on actuarial studies in accordance with its policies. Eighty per cent of the claims were processed between five and eight days and there were ongoing initiatives to upgrade the information system to enhance efficiency. UNSMIS had also negotiated tariffs and discounts with major health care providers to help contain costs. However, UNSMIS needed to formalize its relationship with UNOG and establish Memoranda of Understanding with all participating organizations. The existing reserves were above the levels recommended in the Statute and needed to be defined and approved as required by the Statute. In addition, UNSMIS needed to establish work planning and risk management systems and strengthen the implementation of its anti-fraud policy. With regard to regulatory framework, UNSMIS needed to: (a) establish mechanisms for periodic reconciliations and independent reviews to ensure that records of participating organizations that do not use the United Nations enterprise resource planning (ERP) system (Umoja) and premiums received from them are accurate and complete; (b) ensure that new members sign off that they agree with the UNSMIS legal framework and that they authorize the use of information in the claims for relevant administrative purposes; (c) initiate a formal procurement process for the selection of a vendor/agent for cost containment in the America region; and (d) strengthen the arrangements for following up receivables.

## **IV. AUDIT RESULTS**

### **A. Relationship with participating organizations**

#### Need to formalize the relationship between UNSMIS and UNOG

11. According to Secretary-General's bulletin on the organization of UNOG (ST/SGB/2000/4), the UNOG Division of Administration provides secretariat services to UNSMIS. The UNSMIS Statute recognizes that the UNOG Division of Administration shall provide administrative, medical and other services as may be required for the day-to-day operation of the Society and that the UNSMIS Executive Committee may decide, jointly with the Administration, the extent to which the costs of such services will be borne on the funds of UNSMIS.

12. UNOG provided UNSMIS with support for its financial, human resources, procurement and administrative services. UNSMIS staff on the other hand provided the UNOG Division of Administration with services such as support for enrolment with other medical plans and the life insurance scheme. The level and cost of free services provided by the UNOG Division of Administration and reciprocal support that UNSMIS provided to UNOG had not been formally agreed upon and was not quantified and disclosed in the UNSMIS or UNOG financial reports. From the time it was established in 1949, UNSMIS had expanded significantly to a multi-employer fund with more than 26,000 participants of which around 60 per cent were from organizations other than the United Nations Secretariat. UNSMIS was also considering opportunities to expand its portfolio and serve other organizations of the United Nations common system. Since UNSMIS has significantly grown and its membership extends beyond UNOG, there was a need for its relationship with UNOG to be formalized to clarify responsibilities and mutual expectations and also enhance transparency and accountability.

**(1) UNOG should formalize its relationship with the United Nations Staff Mutual Insurance Society (UNSMIS) and quantify and disclose the level of support services provided to and received from UNSMIS.**

*UNOG accepted recommendation 1 and stated that this will be achieved through an exchange between the Executive Committee and the Director of Administration. Recommendation 1 remains open pending receipt of evidence that the relationship between UNOG and UNSMIS has been formalized with appropriate quantification and disclosure of the level of mutual support between UNOG and UNSMIS.*

#### Need to establish Memoranda of Understanding with all participating organizations

13. According to UNSMIS Statute (Articles 6.3c and 6.5), United Nations organizations wishing to participate in UNSMIS shall conclude an agreement with UNOG. At the time of the audit, UNSMIS had accepted members from 35 departments/offices of the United Nations Secretariat and other organizations of the United Nations common system. UNOG had not established a written Memorandum of Understanding (MOU) with seven of these organizations who had a total of 576 members. Further, the MOUs established with seven other organizations did not include performance indicators and in six cases, the MOU did not address the issue of how refunds for UNSMIS expenses would be computed. UNOG needs to establish MOUs (including responsibilities and expectations) with all participating organizations to avoid uncertainties and disputes and to enhance accountability.

**(2) UNOG should establish Memoranda of Understanding with all participating organizations, including performance indicators and details of how refunds for the United Nations Staff Mutual Insurance Society's expenses would be computed.**

*UNOG accepted recommendation 2 and stated that new MOUs have been issued for 2017 that already align performance indicators. Best efforts will be made to include all organizations during the 2017 cycle. Recommendation 2 remains open pending receipt of evidence that MOUs have been established with all UNSMIS participating organizations.*

## **B. Governance and oversight mechanisms**

#### The Executive Committee was formally established and met regularly

14. The Executive Committee was formally established in accordance with the Society's Statute. Its members included representatives of participating organizations. Minutes of its meetings were

documented and approved. In accordance with Internal Rules, the Executive Committee applied provisions of the rules in a flexible manner in the event of serious or chronic illness requiring prolonged treatment. The Secretary of the Committee indicated that UNSMIS was in the process of developing a jurisprudence index to collect and classify the Committee's decisions made pursuant to the Internal Rules. Further, Article 8.4.b of the UNSMIS Statute requires that the Executive Committee assure itself of the financial soundness of the Society through an actuarial review and report every three years or at such other intervals as it may deem necessary. The last actuarial review was completed in February 2012 and UNSMIS was planning to conduct the next one in 2017.

The existing seven insurance reserves are above the levels recommended in the Statute

15. Article 13 of the Statute states that the surplus of income over expenditure shall constitute the Reserve Fund of the Society and that the Reserve Fund should not be less than 25 per cent or more than 50 per cent of the total benefits paid during the preceding two calendar years. It further requires that if the Reserve Fund falls below or exceeds the recommended levels, the Executive Committee shall proceed with a formal amendment of the reserves level approved by the Director-General and communicate to all members 31 days prior to its entry into force.

16. The actuarial study of 2000 identified the need for six additional reserves which were approved by the Executive Committee in the same year. The 2012 actuarial study confirmed their relevance. The 2014 UNSMIS financial statements showed that UNSMIS had reserves of \$128.9 million accumulated in seven reserve types and the combined benefits paid in the preceding two years (2013 and 2014) was \$188 million. The reserves were therefore above the upper limit authorized in the Statute by approximately \$35 million or 37 per cent. UNSMIS stated that the Director-General's approval of the new reserves could be implicitly assumed by the disclosure in the financial statement. However, there was no evidence that the decision to increase the reserves was communicated to members as required. The basis for computing some of the reserves had also deviated from what was recommended in the 2012 actuarial study without formal disclosure or approval. The rationale for each reserve needs to be documented and approved as prescribed in the Statute to enhance transparency and accountability. This is particularly important because any excess reserve that is not considered necessary could be used to reduce premiums or give premium holidays to members.

**(3) UNOG should ensure that the United Nations Staff Mutual Insurance Society (UNSMIS) documents the rationale and value of each existing reserve, obtains formal approval of the Director-General, and communicates them to members as required by the UNSMIS Statute.**

*UNOG accepted recommendation 3 and stated that the 2016 report to be approved by the Executive Committee will include detailed rationale and value for each provision/reserve and be reviewed and approved beforehand by FRMS. Recommendation 3 remains open pending receipt of evidence that the reserves have been formally approved and communicated to members as required by the Statute.*

### **C. Programme management**

UNSMIS needs to prepare annual work plans and implement risk management

17. According to General Assembly resolution 64/259 on "Towards accountability system in the United Nations Secretariat", accountability includes achieving objectives and high-quality results in a timely and cost-effective manner. This includes the adoption and implementation of a results framework and enterprise risk management. The programme budget for the biennium 2016-2017 of UNOG (A/70/6,

Section 29F) included UNSMIS activities. However, the budget only listed the number and type of staff working with the Society and had no details of planned outputs, accomplishments, indicators of achievements and risks associated with its activities. During the audit, UNSMIS indicated that it planned to undertake several initiatives including collection and classification of decisions of the Executive Committee, bidding for an actuarial study, enhancing fraud detection tools, and expanding the portfolio of agreements with medical providers. Although UNSMIS appeared to be aware of its main risks such as those associated with fraud, loss of members and catastrophic events, it did not have a formal risk register. The UNOG risk register did not include risks relating to UNSMIS. As the very nature of insurance is dealing with risks, there is a need for UNSMIS to formally establish a risk register and mitigating strategies to ensure that all significant risks are identified and systematically managed.

**(4) UNOG should ensure that the United Nations Staff Mutual Insurance Society: (a) establishes a practice of preparing annual work plans outlining planned activities and expected results; and (b) prepares a register of risks and measures to mitigate them.**

*UNOG accepted recommendation 4 and stated that a work plan and project advancement details will be an agenda item of each meeting of the Executive Committee starting beginning of 2017. A risk register will be prepared and presented to the Executive Committee for endorsement. Recommendation 4 remains open pending receipt of evidence that UNSMIS has prepared an annual work plan and risk register.*

#### UNSMIS needed to strengthen the implementation of its fraud policy

18. The anti-fraud and anti-corruption framework of the United Nations Secretariat (ST/IC/2016/25) recognizes the risk of false documentation in medical claims. It requires heads of departments/offices and programme managers to ensure that the existing internal control systems, including measures aimed at preventing and detecting fraud, are functioning effectively. UNSMIS had developed an anti-fraud policy in 2007 which included preventive and detective measures. However, none of the staff and Executive Committee members interviewed were aware of the anti-fraud policy. Sharing the anti-fraud policy with interested stakeholders is one of the best practices suggested by the Association of Certified Fraud Examiners. OIOS also noted the following in regard to implementation of the fraud policy:

- Rotation of claims portfolio was not implemented for all claims officers;
- UNSMIS indicated that it provided on-the-job training for fraud detection. However, staff were not formally trained on fraud detection skills;
- The information system – the New Health Insurance Information System (NHIS) – did not have red-flag detection functions (except for detecting double payment of invoices) or facilities to automate the monitoring of trends and deviations; and
- The six month verification of bills with medical providers required in the policy was not implemented.

19. UNSMIS indicated that it planned to upgrade NHIS with data mining, trend analysis and automated fraud detection functions in the near future. However, there was no formal plan of action or target date established for this initiative. In the last five years UNSMIS detected one case of fraud per year (or 0.06 per cent of its claims portfolio), which appears low but UNSMIS stated that this was similar to results obtained by other medical insurance plans of the United Nations system. OIOS is of the view that UNSMIS needs to fully implement its fraud policy to minimize the risk of fraud.



**(5) UNOG should ensure that the United Nations Staff Mutual Insurance Society strengthens the implementation of its anti-fraud policy by: (a) posting the policy on its website; (b) providing appropriate training of claim officers; and (c) establishing an action plan to adopt fraud detection and trend analysis tools.**

*UNOG accepted recommendation 5 and stated that this recommendation will be implemented by 31 March 2017. Recommendation 5 remains open pending receipt of evidence that: (a) the anti-fraud policy has been posted on the UNSMIS website; (b) training on fraud has been provided to claim officers; and (c) an action plan has been developed to adopt fraud detection and trends analysis tools.*

## **D. Regulatory framework**

### Premiums were determined based on actuarial studies

20. The current premiums were established based on the 2012 actuarial study presented to the Executive Committee of UNSMIS on 20 September 2012 and were included in the Internal Rules. UNSMIS explained that premiums for Specially Protected Persons (SPP) were reviewed annually by analyzing income and expenditure attributed to SPP to ensure financial sustainability. The analysis was presented to the Executive Committee. There were no increases in SPP premiums in 2014 and 2015. OIOS reviewed the premium rates applied and found them to be in accordance with the approved scale of contributions.

### Need for periodic reconciliations and reviews to ensure accuracy and completeness of records

21. The upload of changes to staff status from Umoja to NHIIS was automated. The UNOG Information and Communications Technology Service (ICTS) ran a periodic upload from Umoja to NHIIS and changes in staff status were directly captured in NHIIS. Unreconciled discrepancies were shared with UNSMIS for follow-up. In most cases, discrepancies were due to typographical errors and other issues requiring case by case examination. Due to time constraints, the reconciliation process was not completed. According to UNSMIS, the number of discrepancies significantly decreased since November 2015. After the October 2016 upload, there were 86 discrepancies. ICTS, the Umoja team and UNSMIS were collaborating to address the discrepancies.

22. However, UNSMIS did not have automated uploading for participating organizations that do not use Umoja. For such organizations, changes in staff status were manually input in NHIIS based on information provided by the relevant human resources offices of the participating organizations. Reconciliation between the list of members in NHIIS and the participating organizations' records could therefore only be performed manually. UNSMIS had not established a practice to periodically reconcile the records. UNSMIS also did not have a system in place to periodically verify the accuracy and completeness of the premium income received from these organizations. The following discrepancies noted in the NHIIS records showed that there was a high risk of error in the database:

- In 2015 UNSMIS noted that its list of members was corrupted and in April 2016 initiated a reconciliation exercise for records relating to the Office of the United Nations High Commissioner for Refugees (UNHCR), which was its largest client that did not use Umoja. As of September 2016, UNSMIS found that out of a list of 3,567 members from UNHCR: (a) 1,465 records included in NHIIS did not match with the UNHCR list of active staff; (b) 267 members were actively contributing to UNSMIS but were not included in NHIIS; and (c) 203 members included in NHIIS were retirees from UNHCR.

- OIOS sampled 36 UNHCR staff that took special leave without pay during the period January 2014 to June 2016 and found three cases (eight per cent) where the changes in status were not reflected in NHIIS. These cases were corrected subsequently and there were no undue claims paid during this period.
- UNSMIS initiated a reconciliation exercise for records relating to the United Nations Children's Fund in October 2016 and found 21 records that were not matching and records of eight staff that had left the organization before 2015 were still in the database. According to UNSMIS, no claims were paid after separation. UNSMIS had not conducted reconciliations for other clients.
- Out of 4,188 members belonging to organizations that did not use Umoja, 3,172 did not include end-of-contract dates, which were a key internal control to help ensure that coverage was stopped if the members leave the organization at the end of their contracts.

23. UNSMIS attributed these discrepancies to the high volume of work generated by UNHCR which had expanded rapidly, as well as high workload volumes in 2014 and 2015. UNSMIS indicated that it was continuing with the reconciliation exercises. In July 2016 UNSMIS introduced the requirement to record the date of end of contract for UNHCR members in NHIIS. To further clean the NHIIS database, UNSMIS decided to temporarily de-activate around 1,000 members in the system as they had not submitted claims since 2013. Further, UNSMIS and ICTS were considering the feasibility of integrating UNHCR's ERP system with NHIIS to have direct uploads of changes in staff members' status. OIOS is of the view that the deficiencies noted affected the reliability of the records in NHIIS and until an automated solution is established, there was a need for UNSMIS to complete the ongoing reconciliation exercises and schedule periodic reconciliations for all participating organizations that do not use Umoja.

**(6) UNOG should ensure that the United Nations Staff Mutual Insurance Society establishes mechanisms for periodic reconciliation and independent reviews to assure that the records relating to premium income received from participating organizations that do not use Umoja are accurate and complete.**

*UNOG accepted recommendation 6 and stated that an information technology interface is currently being developed to obtain electronically data from the different organizations participating in UNSMIS. The data will be automatically checked for mismatches and mismatch reports produced to assist in improving reconciliation. Premium checks will from time to time be made to ensure accuracy of premium deduction. Recommendation 6 remains open pending receipt of evidence that mechanisms have been put in place for reviews and periodic reconciliations between the UNSMIS database and records of participating organizations that do not use Umoja.*

Need to ensure that new members' sign offs as required

24. The rights and responsibilities of the Society and participants were included in the UNSMIS Statute and Internal Rules. Before implementation of Umoja in November 2015, new members were required to sign the application form (AM21) where they acknowledged that they accepted the Statute and Internal Rules. Under Umoja, staff could enroll directly in the system and were not required to acknowledge and accept the Statute and Internal Rules. This could expose the Society to dispute over entitlements and claims. Between November 2015 and September 2016, UNSMIS had enrolled 1,026 new members of which 206 were from organizations using Umoja.

25. Further, the UNSMIS Statute, Internal Rules and claim form had no clause on privacy and release of medical records, similar to other United Nations medical plans. As a result, there was uncertainty on whether UNSMIS could access and use sensitive data in individual members' claims for relevant administrative purposes such as audits, fraud prevention or urgent medical attention when the member may not be in a position to give consent for use of the information. OIOS is of the view that UNSMIS needs to obtain appropriate legal advice and ensure that the legal framework addresses the right of UNSMIS/UNOG to use information in claims for administrative purposes when necessary.

**(7) UNOG should ensure that the United Nations Staff Mutual Insurance Society (UNSMIS) obtains sign offs from staff that they: (a) agree with the UNSMIS Statute and Internal Rules; and (b) authorize the use of information in claims for relevant administrative purposes.**

*UNOG accepted recommendation 7 and stated that a request for adding adequate text to the affiliation self-service process in Umoja was made. Follow-up action will be made in early 2017. Recommendation 7 remains open pending receipt of evidence that arrangements have been put in place: (a) for staff whose enrollments are processed in Umoja to sign off that they agree with the Statute and Internal Rules; and (b) for members to authorize the use of information in claims for relevant administrative purposes.*

Need to initiate formal procurement action for selection of a vendor/agent for the America region

26. UNSMIS had identified a vendor for medical claims and cost containment in the America region and was using its services from 2014 to 2016. According to statistics provided by the vendor, in 2015 the vendor processed claims worth \$2 million, negotiated savings for approximately \$659,000 and charged commissions of approximately \$154,000. UNSMIS did not have a mechanism to independently verify these figures and assess vendor performance. UNSMIS explained that the relationship with the vendor was set up in 1993 and that the International Labour Organization and World Health Organization also started to use the vendor at the same time. However, there was no formal contract with the vendor and there was no evidence that a formal bidding process had been conducted before selecting the vendor, as required by the United Nations Procurement Manual. A formal bidding process for the contract is necessary to ensure best value for money and a written contract is required to formalize the relationship and ensure that the Organization's interests are safeguarded.

**(8) UNOG should ensure that the United Nations Staff Mutual Insurance Society initiates a formal bidding process for the selection of a vendor/agent for cost containment in the America region.**

*UNOG accepted recommendation 8 and stated that a request for proposal will be launched during the first half of 2017. Recommendation 8 remains open pending receipt of evidence that a formal bidding process has been conducted for the selection of a vendor for cost containment in the America region.*

Need to strengthen the arrangements for following up on outstanding receivables

27. In cases involving third party insurance, where needed, UNSMIS refunded the medical expenses to members while the member negotiated with the third party insurance provider. UNSMIS supported members in the negotiation process and had established a mechanism to track pending cases with third party insurance providers. However, the "third party list" did not capture the current status of the follow-up, pending actions, and date of last correspondence with the insurance providers, and was not saved in the shared drive to ensure smooth continuity in case of unplanned absence of the responsible claim

officer. At the time of the audit, UNSMIS was following up on 13 cases. There were four other cases where members had received an advance and had not initiated follow-up with the third party insurance provider. In three of these cases, the submission dated back to 2010 and membership had been discontinued.

28. When UNSMIS paid advances directly to the medical facility, it paid 100 per cent of the invoice and sought refund from the member for his/her share of the bill. UNSMIS recorded the advance as a special receivable. When the member's salary was paid by UNOG or UNHCR, UNSMIS processed the refund through payroll. For all other cases, UNSMIS followed up directly with the member. The manual follow up exposed UNSMIS to delays in the recovery process. As of 31 March 2016 UNSMIS was following up on 560 special receivables worth \$447,000 of which 23 per cent were pending for more than six months. Of the 560 receivables, 319 (worth \$320,000) were followed up directly with the beneficiaries, most of who were retirees. On average UNSMIS processed 25 to 30 follow up letters per week. They were all customized and sent via ground mail or official pouch even when the beneficiary/member was an active staff and had an official e-mail address. In some cases the member did not respond and UNSMIS had to send several reminders. There was no defined timeframe for UNSMIS to block the member's account on grounds of non-payment.

**(9) UNOG should ensure that the United Nations Staff Mutual Insurance Society strengthens the arrangements for following up receivables by: (a) indicating the status of the follow up actions in the third party insurance receivables list and ensuring that the list is accessible to all staff; (b) initiating negotiations with participating organizations to process refunds through payroll; (c) identifying more efficient alternatives to ground mail/official pouches; and (d) establishing criteria for blocking members' accounts if they do not respond to several reminders.**

*UNOG accepted recommendation 9 and stated that this recommendation will be implemented by 31 March 2017. Recommendation 9 remains open pending receipt of evidence that the arrangements for following up on receivables have been strengthened.*

## V. ACKNOWLEDGEMENT

29. OIOS wishes to express its appreciation to the management and staff of UNOG for the assistance and cooperation extended to the auditors during this assignment.

*(Signed)* Eleanor T. Burns  
Director, Internal Audit Division  
Office of Internal Oversight Services

## STATUS OF AUDIT RECOMMENDATIONS

## Audit of administration of medical insurance at the United Nations Office at Geneva

Rec. no.	Recommendation	Critical <sup>1</sup> / Important <sup>2</sup>	C/ O <sup>3</sup>	Actions needed to close recommendation	Implementation date <sup>4</sup>
1	UNOG should formalize its relationship with the United Nations Staff Mutual Insurance Society (UNSMIS) and quantify and disclose the level of support services provided to and received from UNSMIS.	Important	O	Receipt of evidence that the relationship between UNOG and UNSMIS has been formalized with appropriate quantification and disclosure of the level of mutual support between UNOG and UNSMIS.	30 June 2017
2	UNOG should establish Memoranda of Understanding with all participating organizations, including performance indicators and details of how refunds for the United Nations Staff Mutual Insurance Society's expenses would be computed.	Important	O	Receipt of evidence that MOUs have been established with all UNSMIS participating organizations.	31 March 2018
3	UNOG should ensure that the United Nations Staff Mutual Insurance Society (UNSMIS) documents the rationale and value of each existing reserve, obtains formal approval of the Director-General, and communicates them to members as required by the UNSMIS Statute.	Important	O	Receipt of evidence that the reserves are formally approved and communicated to members as required by the Statute	31 December 2017
4	UNOG should ensure that the United Nations Staff Mutual Insurance Society: (a) establishes a practice of preparing annual work plans outlining planned activities and expected results; and (b) prepares a register of risks and measures to mitigate them.	Important	O	Receipt of evidence that UNSMIS has prepared an annual work plan and risk register.	30 September 2017
5	UNOG should ensure that the United Nations Staff Mutual Insurance Society strengthens the implementation of its anti-fraud policy by: (a) posting the policy on its website; (b) providing appropriate training of claim officers; and (c) establishing an action plan to adopt fraud detection	Important	O	Receipt of evidence that: (a) the anti-fraud policy has been posted on the UNSMIS website; (b) training on fraud has been provided to claim officers; and (c) an action plan has been developed to adopt fraud detection and trends analysis tools	30 June 2017

<sup>1</sup> Critical recommendations address critical and/or pervasive deficiencies in governance, risk management or control processes, such that reasonable assurance cannot be provided with regard to the achievement of control and/or business objectives under review.

<sup>2</sup> Important recommendations address important (but not critical or pervasive) deficiencies in governance, risk management or control processes, such that reasonable assurance may be at risk regarding the achievement of control and/or business objectives under review.

<sup>3</sup> C = closed, O = open

<sup>4</sup> Date provided by UNOG in response to recommendations.

## STATUS OF AUDIT RECOMMENDATIONS

## Audit of administration of medical insurance at the United Nations Office at Geneva

Rec. no.	Recommendation	Critical <sup>1</sup> / Important <sup>2</sup>	C/ O <sup>3</sup>	Actions needed to close recommendation	Implementation date <sup>4</sup>
	and trend analysis tools.				
6	UNOG should ensure that the United Nations Staff Mutual Insurance Society establishes mechanisms for periodic reconciliation and independent reviews to assure that the records relating to premium income received from participating organizations that do not use Umoja are accurate and complete.	Important	O	Receipt of evidence that mechanisms have been put in place for reviews and periodic reconciliations between the UNSMIS database and records of participating organizations that do not use Umoja.	31 December 2017
7	UNOG should ensure that the United Nations Staff Mutual Insurance Society (UNSMIS) obtains sign offs from staff that they: (a) agree with the UNSMIS Statute and Internal Rules; and (b) authorize the use of information in claims for relevant administrative purposes.	Important	O	Receipt of evidence that arrangements have been put in place: (a) for staff whose enrollments are processed in Umoja to sign off that they agree with the Statute and Internal Rules; and (b) for members to authorize the use of information in claims for relevant administrative purposes.	30 June 2017
8	UNOG should ensure that the United Nations Staff Mutual Insurance Society initiates a formal bidding process for the selection of a vendor/agent for cost containment in the America region.	Important	O	Receipt of evidence that a formal bidding process has been conducted for the selection of a vendor for cost containment in the America region.	30 September 2017
9	UNOG should ensure that the United Nations Staff Mutual Insurance Society strengthens the arrangements for following up receivables by: (a) indicating the status of the follow up actions in the third party insurance receivables list and ensuring that the list is accessible to all staff; (b) initiating negotiations with participating organizations to process refunds through payroll; (c) identifying more efficient alternatives to ground mail/official pouches; and (d) establishing criteria for blocking members' accounts if they do not respond to several reminders.	Important	O	Receipt of evidence that the arrangements for following up on receivables have been strengthened.	30 June 2017

# **APPENDIX I**

## **Management Response**

Office des Nations Unies à Genève  United Nations Office in Geneva

MEMORANDUM INTERIEUR

INTEROFFICE MEMORANDUM

TO: Mr. Gurpur Kumar  
A: Deputy Director  
Internal Audit Division, OIOS

DATE: 17 January 2017

REF.

FROM: Clemens M. Adams  
DE: Director  
Division of Administration, UNOG

SUBJECT: Confidential: Draft report on an audit of administration of medical insurance at the  
OBJET: United Nations Office at Geneva (Assignment No. AE201631001)

---

1. UNOG acknowledges receipt of the detailed results of an audit of administration of medical insurance at the United Nations Office at Geneva (Assignment No. AE201631001) dated 3 January 2017.
2. We take note of the overall results of the audit and the recommendations made to UNOG.
3. As requested, please find attached Appendix 1 duly completed, including comments on each recommendation.

Cc. The Director General, UNOG

Mr. Hans G. Baritt , Chief, Financial Resources Management Service, UNOG

Mr. Patrick Goergen, Chief and Executive Secretary of UNSMIS, UNOG

Mr. Hugues Noubissie, Special Assistant to the Director, Division of Administration, UNOG

Ms. Anna Nyaoro, Chief, European Audit Section, OIOS

Ms. Cynthia Avena-Castillo, Professional Practices Section, Internal Audit Division, OIOS



## Management Response

## Audit of administration of medical insurance at the United Nations Office at Geneva

Rec. no.	Recommendation	Critical <sup>1</sup> / Important <sup>2</sup>	Accepted? (Yes/No)	Title of responsible individual	Implementation date	Client comments
1	UNOG should formalize its relationship with the United Nations Staff Mutual Insurance Society (UNSMIS) and quantify and disclose the level of support services provided to and received from UNSMIS.	Important	Yes	Chief and Executive Secretary, Medical insurance section, FRMS, UNOG	Second quarter 2017	Will be achieved through an exchange between the Executive committee and the Director of Administration, UNOG.
2	UNOG should establish Memoranda of Understanding with all participating organizations, including performance indicators and details of how refunds for the United Nations Staff Mutual Insurance Society's expenses would be computed.	Important	Yes	Chief and Executive Secretary, Medical insurance section, FRMS, UNOG	1rst quarter 2018	New MoU's have been issued for 2017 that already align kpi's. Best efforts will be made to include all organizations participating to UNSMIS during the 2017 cycle.
3	UNOG should ensure that the United Nations Staff Mutual Insurance Society (UNSMIS) documents the rationale and value of each existing reserve, obtains formal approval of the Director-General, and communicates them to members as required by the UNSMIS Statute.	Important	Yes	Chief and Executive Secretary, Medical insurance section, FRMS, UNOG	Second half 2017	The 2016 report to be approved by the Executive committee will include detailed rationale and value for each provision/reserve and be reviewed and approved beforehand by FRMS.
4	UNOG should ensure that the United Nations Staff Mutual Insurance Society: (a) establishes a practice of preparing annual work plans outlining planned activities and expected results; and (b) prepares a register of risks and measures to mitigate them.	Important	Yes	Chief and Executive Secretary, Medical insurance section, FRMS, UNOG	Third quarter 2017	A work plan + project advancement details will be an agenda item of each meeting of the Executive committee starting beginning of 2017. A risk register will be prepared and presented to the Executive committee for endorsement.
5	UNOG should ensure that the United Nations Staff Mutual Insurance Society strengthens the implementation of its anti-	Important	Yes	Chief and Executive Secretary, Medical insurance	Second quarter 2017	a),b) and c) will be implemented soonest and not later than end of 1rst quarter 2017.

<sup>1</sup> Critical recommendations address critical and/or pervasive deficiencies in governance, risk management or control processes, such that reasonable assurance cannot be provided with regard to the achievement of control and/or business objectives under review.

<sup>2</sup> Important recommendations address important (but not critical or pervasive) deficiencies in governance, risk management or control processes, such that reasonable assurance may be at risk regarding the achievement of control and/or business objectives under review.

## Management Response

## Audit of administration of medical insurance at the United Nations Office at Geneva

Rec. no.	Recommendation	Critical <sup>1</sup> / Important <sup>2</sup>	Accepted? (Yes/No)	Title of responsible individual	Implementation date	Client comments
	fraud policy by: (a) posting the policy on its website; (b) providing appropriate training of claim officers; and (c) establishing an action plan to adopt fraud detection and trend analysis tools.			section, FRMS, UNOG		
6	UNOG should ensure that the United Nations Staff Mutual Insurance Society establishes mechanisms for periodic reconciliation and independent reviews to assure that the records relating to premium income received from participating organizations that do not use Umoja are accurate and complete.	Important	Yes	Chief and Executive Secretary, Medical insurance section, FRMS, UNOG	Four quarter 2017	An IT interface is currently being developed to obtain electronically data from the different organizations participating to UNSMIS. The data will be automatically checked for mismatches and mismatches reports produced to assist in improving reconciliation. Premium checks will from time to time be made to ensure accuracy of premium deduction.
7	UNOG should ensure that the United Nations Staff Mutual Insurance Society (UNSMIS) obtains sign offs from staff that they: (a) agree with the UNSMIS Statute and Internal Regulations; and (b) authorize the use of information in claims for relevant administrative purposes.	Important	Yes	Chief and Executive Secretary, Medical insurance section, FRMS, UNOG	Second quarter 2017	A request for adding adequate text to the affiliation self-service process in UMOJA was made, follow-up action will be made early 2017.
8	UNOG should ensure that the United Nations Staff Mutual Insurance Society initiates a formal bidding process for the selection of a vendor/agent for cost containment in the America region.	Important	Yes	Chief and Executive Secretary, Medical insurance section, FRMS, UNOG	Third quarter 2017	An RFP will be launched during the first half of 2017.
9	UNOG should ensure that the United Nations Staff Mutual Insurance Society strengthens the arrangements for following up receivables by: (a) indicating the status of the follow up actions in the third party insurance receivables list and	Important	Yes	Chief and Executive Secretary, Medical insurance section, FRMS, UNOG	Second quarter 2017	a), b), c) and d) will be implemented no later than end of 1st quarter 2017.

## Management Response

## Audit of administration of medical insurance at the United Nations Office at Geneva

Rec. no.	Recommendation	Critical <sup>1</sup> / Important <sup>2</sup>	Accepted? (Yes/No)	Title of responsible individual	Implementation date	Client comments
	ensuring that the list is accessible to all staff; (b) initiating negotiations with participating organizations to process refunds through payroll; (c) identifying more efficient alternatives to ground mail/official pouches; and (d) establishing criteria for blocking members' accounts if they do not respond to several reminders.					