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## **Correspondence Memorandum**

**Date:** February 6, 2025

**To:** Group Insurance Board

**From:** Xiong Vang, HSA and ERA Accounts Program Manager  
 Office of Strategic Health Policy

**Subject:** Contract Compliance Audit of the Pre-Tax Programs for Plan Years 2022-2023

**This memo is for informational purposes only. No Board action is required.**

### **Background**

The Department of Employee Trust Funds (ETF) Office of Internal Audit (OIA) conducted a comprehensive, biennial audit of the administration of the Group Insurance Board's (Board's) pre-tax savings account program administered by Optum Financial (Optum) for the period of January 1, 2022, through December 31, 2023. These programs include health savings accounts (HSAs), employee reimbursement accounts (ERAs), and commuter fringe benefits accounts (CBs) for contracts ETH0052, ETH0053, and ETH0054.

The purpose of the audit was to review contract compliance by Optum in managing the HSA, ERA, and CB programs. Specific focus areas included:

- Elections and contribution processing
- Compliance with program limits
- Claims substantiation
- Billing for claims and administrative fees
- Reporting requirements
- Access to critical program data

The review also covered adherence to performance standards, maintenance of participant records, and the timely and accurate processing of transactions in line with regulatory and contractual requirements. Additionally, the audit involved evaluating the implementation of recommendations from the previous audit to ensure that appropriate controls are in place ([Ref. GIB | 02.21.24 | 10G](#)).

Reviewed and approved by Renee Walk, Director, Office of Strategic Health Policy  
 Electronically Signed 02/11/2025

Board	Mtg Date	Item #
GIB	02.26.25	6

OIA conducted the audit in accordance with the International Standards for the Professional Practice of Internal Auditing, as issued by the International Internal Audit Standards Board.

### **Audit Results**

The completed audit report, including responses from Optum and ETF to OIA's recommendations, is provided in Attachment A. The following assessments were made regarding the implementation of prior audit recommendations (see Attachment A, page 7-8):

- Reporting: OIA assessed whether the Plan Finalization Report and Unsubstantiated Claims Business Debt Report were properly documented and reviewed before being submitted to ETF. Optum established clear compilation procedures and a review process for both reports. ETF penalized Optum for providing a revised 2023 Plan Finalization Report a day late, but corrections were received as necessary. Both reports were provided with improved timeliness and with reduced errors.
- Contribution Limits and Eligibility: OIA audited participant contributions to ensure they did not exceed the Internal Revenue Service limits and confirmed that the frequency of reviews for the High Deductible Health Plan and HSA eligibility were increased. No issues were found, and controls met expectations.
- Secure File Transfer Protocol (SFTP) Monitoring: OIA reviewed Optum's SFTP access and found that user accounts were effectively monitored, and files were removed in a timely manner. Additionally, Optum requires regular password changes for SFTP accounts.
- Penalties Assessment: OIA reviewed whether penalties were assessed correctly and on time according to contract standards. Starting in Q4 of 2023, ETF began assessing penalties based on monthly performance standards instead of a 3-month average. ETF also shifted to quarterly penalties for failed performance standards, effective in 2024, to better align with the performance period and encourage timely corrective actions.
- Contractual Updates: OIA reviewed pre-tax savings account contract amendments and found that they included necessary updates to clarify internal controls and the timeliness of deliverables.

OIA identified three findings in the following areas:

- ERA and CB Claims Substantiation: OIA found that Optum's claims substantiation process lacked sufficient controls and internal procedures were not documented or did not align with ETF's requirements.

ETF took proactive steps to address concerns by working with Optum leadership in 2022-2023 to improve claims substantiation training and processes. ETF also collaborated with Optum's Account Management team to update claims substantiation materials for employers and members. The audit found inconsistencies in claims adjudication, where claims were approved without proper substantiation. Discrepancies were noted in Optum's standard operating procedures, particularly with their subcontractor, whose documentation did not align with ETF's program requirements. Optum has agreed to put additional efforts into claims adjudicator training and updating internal standard operational procedures to correct this issue. For additional information see Attachment A, page 11.

- Quarterly Performance Standards Reporting Deficiencies: OIA reviewed the 2023 quarterly performance standards reports submitted to ETF and identified four exceptions: missing supporting documentation, duplicate values, inconsistent reporting at the plan level versus book of business level, and multiple versions of reports submitted to ETF.

To address the recommendations, ETF created multiple corrective action plans focused on the four identified areas. These include requesting supporting documentation for performance standards to ensure alignment with quarterly reporting and validating data accuracy. Optum will evaluate all performance metrics to determine which metrics can be reported at the plan level. Optum will provide that information for ETF review and assess its alignment with pre-tax program needs and to determine next steps.

To improve accuracy and reduce duplicate submissions, Optum will implement a two-level review process to identify and correct errors before reports are submitted. In January 2025, ETF led discussions with Optum leadership to address audit findings, secure Optum's commitment to corrective actions, and to create a clear timeline to achieve full compliance with reporting requirements. For additional detail, see Attachment A, pages 14-16.

- Administrative Fee Invoicing: OIA reviewed Optum's administrative fee invoicing and identified instances of duplicate billing and a fee charged for an unenrolled HSA participant.

In December 2024, ETF took the lead in addressing the findings with Optum's leadership, driving immediate corrective actions and securing commitment to long-term improvements. In addition to recovering overpayments and reviewing all 2022-2024 invoices for duplicates, Optum conducted a deeper audit of its billing processes and found additional fees invoiced in error for unenrolled HSA participants because of a formula miscalculation. Optum implemented safeguards to prevent these types of errors. The ETF Program Manager also

established new threshold quality checks to proactively detect potential discrepancies. While future issues are not anticipated, ETF will continue to closely monitor administrative fees to ensure these controls remain effective. See Attachment A, page 18 for more details.

Both ETF and Optum have accepted all audit findings and developed a plan to address each of the recommendations. A summary of the progress made in resolving the remaining findings is provided in Attachment B.

### **Conclusion and Next Steps**

ETF and Optum remain fully committed to strengthening the pre-tax savings account programs by addressing audit findings and implementing meaningful improvements. ETF will closely monitor progress, ensure accountability, and collaborate with Optum to drive necessary enhancements. The Board will receive quarterly updates until all corrective actions are successfully completed.

Staff will be at the Board meeting to answer any questions.

Attachment A: [Third-Party Administrator Contract Compliance Audit: Optum Financial – Health Savings Accounts, Employee Reimbursement Accounts, and Commuter Benefits](#)

Attachment B: [Report on TPA Contract Compliance Audit of Optum 2022-2023 Plan Year](#)