

EXECUTIVE SUMMARY

The Office of Inspector General of the City of New Orleans (OIG) conducted an evaluation of the City's policies and practices relating to the procurement and management of group life insurance and accidental death and dismemberment (group life/AD&D) coverage for City employees. The policy has been provided through Hartford Life and Accident Insurance Company (Hartford) since 2003. The Risk Management Division within the Law Department is responsible for administering the policy, making monthly payments, and submitting the number of eligible employees to the provider.

The objectives of the evaluation were to determine if the group life/AD&D policy is being managed appropriately, ensure that the policy is only covering qualifying employees, and to determine whether best practices are being used for the management of the policy.

The OIG identified the following findings relating to management of the group life/AD&D policy:

- The City overpaid for insurance by approximately \$250,000 over a four-year period because the Risk Management Division failed to calculate the number of employees eligible for benefits accurately.
- The City continued to overpay for group life/AD&D insurance after adjusting the calculation of eligible employees in March 2011.
- The City paid more than \$250,000 in commissions to two insurance agents.
- The City passed up an opportunity to pay a lower rate for group life/AD&D benefits by failing to follow through with a competitive procurement.
- Personnel in the CAO's Office destroyed records of the 2010 competitive procurement process, in violation of the Public Records Act.
- Law Department personnel bypassed safeguards that protect the integrity of the City's purchasing system and budget.
- Information provided to City employees about their group life/AD&D benefits is inadequate.
- Death benefit claims were not filed for six of the twenty-one City employees who died between January 1, 2009 and December 31, 2010.

Recommendations:

Based on these findings, reviewers concluded that the City's Group Life/AD&D policy was not managed appropriately, coverage was extended to ineligible employees, and best practices were not employed. Although the City has implemented changes to its procedures during the course of this evaluation, there are still additional improvements that should be made. The OIG recommended the following:

- The City should consider shifting management responsibility of the group life/AD&D policy to the CAO's Employee Benefits Division.
- The City should conduct a competitive selection process to obtain a competitive rate for group life/AD&D insurance.
- The Law Department should ensure that vendor payments are made and approved through the City's electronic purchasing system.
- The City should ensure that all City employees understand their responsibility to preserve and safeguard public records.
- The City should provide employees with information about coverage and claims procedures under the group life/AD&D policy.
- In the event of a City employee's death, the City should send benefit and claims information to the designated beneficiary.

A draft of this report was provided to the CAO's Office and the Law Department for review and comment prior to publication. The City's Response is attached to this report.