



Commonwealth of Massachusetts
Office of the State Auditor
Suzanne M. Bump

Making government work better

Official Audit Report-December 20, 2012

Framingham State University

For the period July 1, 2010 through September 30, 2011



TABLE OF CONTENTS

INTRODUCTION AND SUMMARY OF FINDINGS AND RECOMMENDATIONS 1

OVERVIEW OF AUDITED AGENCY 2

AUDIT SCOPE, OBJECTIVES, AND METHODOLOGY 3

AUDIT FINDINGS 5

**INTERNAL CONTROL DEFICIENCIES RESULTED IN TWO INDIVIDUALS BEING INAPPROPRIATELY ENROLLED IN
THE STUDENT HEALTH INSURANCE PROGRAM 5**

INTRODUCTION AND SUMMARY OF FINDINGS AND RECOMMENDATIONS

In response to a report received by the Office of the State Auditor (OSA) from Framingham State University (FSU), we conducted an audit at FSU in accordance with Chapter 647 of the Acts of 1989, An Act Relative to Improving Internal Controls within State Agencies. The Chapter 647 report submitted by FSU disclosed a situation in May 2011 in which FSU administrators identified two individuals enrolled in FSU's student health insurance plan who were not students of FSU and therefore were not eligible to receive health insurance benefits.

Chapter 647 of the Acts of 1989 requires agencies to report unaccounted-for variances, losses, shortages, or thefts of funds or property to the OSA. Chapter 647 also requires the OSA to determine the internal control weaknesses that contributed to or caused an unaccounted-for variance, loss, shortage, or theft of funds or property; make recommendations to correct the condition found; identify the internal control policies and procedures that need modification; and report the matter to the appropriate management and law enforcement officials.

Highlight of Audit Findings

- Two individuals enrolled in FSU's student health insurance plan had not been students at FSU for over eight years and therefore were not eligible to receive health insurance benefits. A former FSU employee was able to enroll these former students, her daughter and son-in-law, in the health care plan because FSU maintains all student accounts indefinitely, with no restrictive access to inactive accounts.

Recommendations of the State Auditor

- We recommend that FSU management reexamine its internal controls over inactive student accounts and determine whether additional controls are needed to ensure that access to student accounts after they become inactive is properly restricted, secured from unauthorized access, and periodically monitored to identify inaccurate or inconsistent activity.

Agency Progress

- FSU terminated the employee in question and immediately notified the plan administrator, University Health Plans (UHP), and the plan insurance provider, Blue Cross Blue Shield of Massachusetts, who retroactively terminated the insurance policies in question. FSU also forwarded this information to the Massachusetts State Police. Further, FSU revised its policies and procedures, effective for the fall of 2011, to include a formal reconciliation of all students enrolled in the UHP insurance plan with the student rosters in the Office of the University Registrar. This reconciliation ensures that each student enrolled in the UHP insurance plan is an eligible, full-time student at FSU, with no outstanding insurance balance.

OVERVIEW OF AUDITED AGENCY

Framingham State University (FSU) is a public, four-year coeducational (undergraduate and graduate) institution offering 26 undergraduate majors and 24 graduate programs at its 50-acre campus located in Framingham. FSU is governed by an 11-member Board of Trustees. The governor appoints nine trustees to five-year terms, renewable once; the Alumni Association elects one trustee for a five-year term, renewable once; and the student body elects one student trustee for a one-year term. For 2011, FSU enrollment included 4,321 undergraduate and 2,094 graduate students.

AUDIT SCOPE, OBJECTIVES, AND METHODOLOGY

In response to a report received by the Office of the State Auditor (OSA) from Framingham State University (FSU), we conducted an audit at FSU in accordance with Chapter 647 of the Acts of 1989, An Act Relative to Improving Internal Controls within State Agencies. The Chapter 647 report submitted by FSU disclosed a situation in May 2011 in which FSU administrators identified two individuals enrolled in FSU's student health insurance plan who were not students at FSU and therefore were not eligible to receive health insurance benefits.

Chapter 647 of the Acts of 1989 requires agencies to report unaccounted-for variances, losses, shortages, or thefts of funds or property to the OSA. Chapter 647 also requires the OSA to determine the internal control weaknesses that contributed to or caused an unaccounted-for variance, loss, shortage, or theft of funds or property; make recommendations to correct the condition found; identify the internal control policies and procedures that need modification; and report the matter to the appropriate management and law enforcement officials.

We conducted this performance audit, which covered the period July 1, 2010 through September 30, 2011, in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

The objectives of our audit were to (a) assess the adequacy of FSU's internal controls over its student health insurance program, (b) review the conditions that led to the enrollment of two ineligible individuals in the student health plan and determine whether other instances of fraud or abuse regarding the enrollment of ineligible individuals occurred, and (c) identify any corrective actions that need to be taken.

To achieve our audit objectives, we conducted interviews with FSU officials and staff, including the Vice-President of the Division of Student Enrollment and Student Development and the Director of Student Accounts; examined pertinent documentation, including student health insurance enrollment listings, rosters, course loads, and accounts receivable; obtained and tested the Fall 2010 and Spring 2011 student rosters to ensure that no further discrepancies occurred; and tested the Fall 2011 student roster to ensure that the newly implemented policies and procedures relating to student

health insurance registration were being adhered to as prescribed by management. In addition, we spoke with the Massachusetts State Police officers who were handling the investigation.

AUDIT FINDINGS

INTERNAL CONTROL DEFICIENCIES RESULTED IN TWO INDIVIDUALS BEING INAPPROPRIATELY ENROLLED IN THE STUDENT HEALTH INSURANCE PROGRAM

Framingham State University (FSU) uses University Health Plans (UHP)¹ to administer the required health insurance for students attending FSU who do not have health coverage through other means. To be eligible for the health insurance, a student must be enrolled in at least three classes at FSU. Before making the final payment to UHP, the FSU Business Office has a procedure to reconcile the list of insured students from UHP to students actively enrolled at FSU and generates a list of students with conflicting information. During the period of time in question, this list was forwarded to the FSU Office of Student Accounts for further review, which resulted in the identification of two former FSU students enrolled in the UHP insurance plan who have not been registered for any classes at FSU in over eight years. Upon further investigation by FSU, it was discovered that the two individuals were the daughter and son-in-law of an employee who has worked at FSU for 16 years, and that the employee, using her teller access privileges, had enrolled these individuals in the health insurance program using her personal credit card. This employee was able to enroll these former students by adding the charges for the health care plan to each of their individual student accounts, which were still accessible even though they have been inactive for over eight years. We also learned that FSU maintains all student accounts indefinitely with no restrictive access to inactive accounts.

This information was brought to the attention of the Vice-President of the Division of Student Enrollment and Student Development. A meeting was held with the employee in question and the employee was subsequently terminated. FSU immediately notified UHP and Blue Cross Blue Shield of Massachusetts (BCBSMA) and the insurance policies were retroactively terminated. According to FSU officials, BCBSMA retracted payments to health care providers on claims submitted by the daughter and no claims were made by the son-in-law. FSU forwarded this information to the Office of the State Auditor and the Massachusetts State Police.

¹ Massachusetts Law requires that all students enrolled in at least 75 percent of a full-time course load at an institution of higher learning in Massachusetts must either provide proof of enrollment in a medical insurance plan that meets the Commonwealth-mandated guidelines or be enrolled in a university-sponsored plan. FSU participates in a statewide collaborative with other state universities to provide affordable health insurance to students who are not otherwise enrolled in a qualified health insurance plan. The FSU Student Health Insurance Plan is provided by Blue Cross Blue Shield of Massachusetts and is administered by University Health Plans.

For the areas tested, our audit revealed no other occurrences of fraud or abuse regarding enrollment of ineligible individuals. FSU has revised its policies and procedures, effective in the fall of 2011, to include a formal reconciliation of all students enrolled in the UHP health insurance plan with the student rosters in the Office of the University Registrar each semester. Specifically, after the Add/Drop period in each semester, the Office of Student Accounts sends a list of students that are enrolled in the UHP health insurance plan to the Registrar, who verifies that the students are enrolled in at least three courses. This reconciliation ensures that each student enrolled in the UHP health insurance plan is an eligible, full-time student at FSU, with no outstanding insurance balance.

Recommendation

We believe that the measures taken by FSU management to address this matter, including improving FSU's internal controls over its student health insurance program, were appropriate. In addition, we recommend that FSU management reexamine its internal controls over inactive student accounts and determine whether additional controls are needed to ensure that access to student accounts after they become inactive is properly restricted and secured from unauthorized access and is periodically monitored to identify inaccurate or inconsistent activity.

Auditee's Response

The University will carefully consider the recommendation of the Auditor to determine what additional security enhancements can be instituted regarding inactive students' records. Periodic monitoring is part of the various processes used in offices with access to student records and we will ensure that monitoring of this type is documented in these departments' internal controls.