




MEMORANDUM

To: Jim Seuffert, Financial Management Department Director

From: R. B. "Chips" Shore, Clerk of the Circuit Court and Comptroller 

Date: December 10, 2008

Subject: Employee Health Benefits Division Non-Payroll Deduction Payments Follow-up Audit

The Internal Audit Department has completed a follow-up audit based on the Clerk of the Circuit Court's Audit Report issued on November 4, 2004. This follow-up audit consisted of reviewing the status of the Management Action Plans included from the original audit to ensure that the Division has implemented the appropriate corrective actions and that the controls are properly functioning.

We commend Employee Health Benefits Division for correcting many of the areas identified in the original audit. We noted improvements in reducing the quantity of errors in the areas identified below; however, these areas continue to require management's attention:

1. Partial payments are being accepted from COBRA enrollees. EHB did not receive \$604.19 in premiums for coverage provided by Manatee County in cases where partial payments were received.

Management Action Plan: Management will implement a policy requiring payments to be made in full. Partial payments will no longer be accepted and when received, will be immediately returned to the COBRA enrollee. This implementation date of this policy is anticipated by January 1, 2009.

2. EHB has improved on their procedures for notification, termination, and collection of payments for COBRA enrollees from the original audit. The following items require continuing attention from management:
 - Letters were not being sent to COBRA participants when coverage was terminated due to nonpayment, which does not comply with the requirements of the Consolidated Omnibus Budget Reconciliation Act of 1986.
 - A COBRA notification letter was not always sent to enrollees who were dependents on the plan when a qualifying event occurred for the COBRA participant.
 - Personnel Action Forms were not always date-stamped when they were received, making it unclear whether COBRA participants were notified in compliance with COBRA requirements.
 - Calculations were not always correct for the beginning and ending dates for the 18-months of COBRA coverage. We also noted that reconciliations are not being performed between EHB's manual spreadsheets and the system responsible for claim payments to ensure consistency with coverage dates.

Management Action Plan: Management will provide additional training to employees to further reduce or eliminate the above audit concerns. Letters will now be sent to COBRA enrollees notifying them when coverage has terminated. This Management Action Plan should be implemented by January 1, 2009.

3. EHB has also made improvements in all areas dealing with retirees and no-pay status employees. The following audit issues continue to require management's attention:
 - EHB did not always document whether a retiree was collecting his or her Florida Retirement System benefits, which is a condition required for retirees to be eligible for continuation of Manatee County insurance coverage.
 - Employees who are out of work and are on "no pay" status are responsible for submitting to EHB their insurance premiums for any additional coverage that they signed up for. Lack of payments results in the notification and termination of these employees. EHB did not always send letters to employees that owed money for additional coverage. A total of \$842.87 in premiums was not collected for coverage provided during the audit period.

Management Action Plan: Management will educate and train employees to ensure that proper documentation is maintained in retiree's file of their FRS benefits and ensure that no pay status employees are identified and notified when premiums are owed to allow termination of coverage when payments are not collected. This Action Plan should be implemented by January 1, 2009.

4. Deposit checks were not always deposited timely by the EHB staff. Deposits of payments for insurance coverage are to be made within one week of receiving payments. Deposit time on twelve of these payments averaged two weeks with one payment taking a month to deposit.

Management Action Plan: Management will provide training and education of the policy for deposits to staff responsible for preparing the deposits to insure that deposits are made within a week of receiving payments. This training should be provided by January 1, 2009.

We would like to thank you and your staff for the attention given to the audit findings and the cooperation given to the Internal Audit staff. Another follow-up audit will be scheduled after the implementation of the Management Action Plans.

RBS/RJO/MDB/ALW

cc: Board of County Commissioners
Ed Hunzeker, County Administrator
Bob Goodman, EHB Manager