




MEMORANDUM

To: Jim Seuffert, Financial Management Department Director

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

Date: February 25, 2010

Subject: Employee Health Benefits Division Non-Payroll Deductions Follow-up Audit#2

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The Internal Audit Department has completed a second follow-up audit based on the Clerk of the Circuit Court's Follow-up Audit Memo issued on December 10, 2008. This follow-up audit consisted of reviewing those areas where we highlighted areas for improvement and developed management action plans to ensure that the Division's implemented controls are functioning properly.

Employee Health Benefits Division (hereafter referred to as EHB) continues to make efforts in the implementation of the management action plans included in the latest report. During the period of testing that included the thirteen-month period ending October 31, 2009, EHB experienced staff turnover and the implementation of a new claims management system. EHB has improved in reducing the quantity of errors; however, some of these areas continue to require management's attention and are identified below:

1. EHB's policies and procedures require that deposits be made within two days of receipt. EHB was not date-stamping checks or receipting money; therefore, it was difficult to determine the date received. Internal Audit used the check date when testing the timeliness of deposits and allowed seven days from that date. Testing during the twelve-month period ending September 30, 2009, found that 14% (5 out of 36) of the COBRA payments and 21% (19 out of 91) of the retiree payments received were not deposited timely. In addition, cash was being photocopied when received.

**Management Action Plan:** Management has implemented a procedure for writing received dates on checks effective November 15, 2009 to document the date a check is received. Also, in November, a cash receipt book was purchased to document cash payments. Photocopying cash will be discontinued. Management will enforce the existing process of depositing the payments every other day and ensure coverage for this process when staff is on vacation or on sick leave. The implementation of these policy changes is anticipated by May 1, 2010.

2. For both retiree and COBRA programs, testwork was performed to verify that termination dates per EHB records agreed to the dates in the WLT system, the claims payment software. 12% (4 out of 34) of the retirees and 17% (4 out of 24) of the COBRA participants had incorrect termination dates on WLT for the nine-month period ending September 30, 2009.

**Management Action Plan:** Management will implement a policy requiring staff to reconcile EHB records to the WLT system at the end of the week after WLT has made requested changes in the system. The implementation of this policy is anticipated by May 1, 2010.

3. Employees who are out of work and are on "no pay" status are responsible for submitting their insurance premiums to EHB for any additional coverage they carry. Lack of payments should result in the notification and eventual termination of these employees. EHB has made improvements in sending out letters to no pay status employees; however, the following issues continue to require management's attention:

- EHB does not have follow-up procedures for terminating coverage when payments are not received. A total of \$688.52 of premiums was not collected on 13 employees for coverage provided during the period May 8, 2008 through September 25, 2009.
- Procedures do not exist for employees on military leave that are on the no pay status. Employees on active military leave are not eligible for County insurance. It appears that communication problems exist when the Constitutional Officers' Human Resources Departments do not notify EHB of employees' military status on a timely basis. EHB has no way of knowing when employees are on active military duty, which would result in the postponement of all insurance benefits. Currently these employees continue to show up on the no pay status report.

**Management Action Plan:** Management is in the process of seeking a Request for Legal Services from the County Attorney's Office to determine if any potential liability exists with canceling an employee's additional insurance coverage due to nonpayment. Based on their response, EHB will develop and implement appropriate policies and procedures. Management will also communicate with the respective Constitutional Officers' Human Resources Departments to develop a better notification process when employees are on leave that impacts their insurance benefits.

4. EHB has not consistently documented whether a retiree is collecting his or her Florida Retirement System benefits. For a retiree to be eligible for continuing insurance coverage with Manatee County, the retiree must be actively receiving their Florida Retirement System (FRS) benefits. Audit testing showed that 5.7% of retirees did not have documentation in their files showing that they were, in fact, receiving their FRS benefits. FRS benefits are initiated by the Constitutional Officers' Human Resources Departments. Currently, this information is not being communicated to EHB on a consistent and timely basis.

**Management Action Plan:** Management will develop procedures with the respective Constitutional Officers' Human Resources Departments for transmitting information to EHB related to all retired employees. EHB will also implement procedures to ensure their files contain the appropriate forms that ensure the retirees are collecting their Florida Retirement System benefits. This procedure is expected to be implemented by May 1, 2010.

Employee Health Benefits Division  
Non-Payroll Deduction Payments Follow-Up Audit#2  
As of October 31, 2009  
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5. Policies and procedures for COBRA, Retirees and No-Pay status enrollees have not been updated. These areas include the following:
- Defining the acceptable documentation to ensure that a retiree has Medicare Part B.
  - Defining the time frame that COBRA information needs to be sent to the Third Party Administrator who is responsible for sending out a COBRA notification letter.
  - Defining the individuals required to receive a COBRA notification letter.
  - Developing procedures to ensure that if an enrollee has experienced a qualifying event and has dependents enrolled in plan, then these dependents will also be considered as experiencing a qualifying event that will trigger COBRA notification procedures.

Complete and updated policies and procedures will ensure consistency with EHB's operations and may be used as a tool to train current and future employees.

**Management Action Plan:** Management will formally update policies and procedures for the items mentioned above. The implementation date of this procedure is anticipated by September 1, 2010.

RBS/MDB/MTT

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