



PAT FRANK  
Clerk of the Circuit Court  
13th Judicial Circuit

**COUNTY AUDIT**

**HILLSBOROUGH COUNTY, FLORIDA**

**EMPLOYEE BENEFITS**

**REPORT # 232**

**MARCH 1, 2012**

March 1, 2012

The Honorable Ken Hagan, Chairman  
The Honorable Kevin Beckner  
The Honorable Victor Crist  
The Honorable Al Higginbotham  
The Honorable Lesley "Les" Miller, Jr.  
The Honorable Sandra Murman  
The Honorable Mark Sharpe

Dear Chairman Hagan and Commissioners:

We have performed an audit of Employee Benefits, Audit Report #232, dated March 1, 2012. Responses to our recommendations were received from the Division Directors of Employee Services and Benefits Support Services and from the management of the Tampa Sports Authority. These responses have been included in the report after each finding and recommendation.

We appreciate the cooperation and professional courtesies extended to our auditors by the Directors and personnel of Employee Services and Benefits Support Services, and by the management personnel of the Arts Council, Children's Board, Tampa-Hillsborough Expressway Authority, Tampa Port Authority, and the Tampa Sports Authority during this audit.

Sincerely,

Daniel A. Pohto, CPA, CIA  
Director, County Audit

cc: Mike Merrill, County Administrator  
Helene Marks, Chief Administrative Officer  
Lori Kriek, Division Director, Employee Services  
Christina Swanson, Division Director, Benefits Support Services  
Eric D. Hart, Executive Director, Tampa Sports Authority  
Bruce Dangremond, Manager, Performance Mgmt, Business and Support Services

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## EXECUTIVE SUMMARY

### BACKGROUND INFORMATION:

Hillsborough County government provides various benefits to its employees. These include participation in the Florida Retirement System, an employer contribution into a deferred compensation program, short-term and long-term disability insurance, life insurance, health/dental/vision insurance, flexible spending accounts, tuition reimbursement, and AAA Travel Service. An additional benefit is available to vested retirees who are not yet eligible for Medicare.

The largest benefit, in terms of dollars, offered to Hillsborough County employees is the health insurance coverage. Hillsborough County offers its employees health insurance via a self-insured group health plan (Plan), administered by Humana Insurance Company (Humana.) The County's current self-funded medical benefits program includes the administration of employee/retiree group health and pharmacy, employee assistance program (EAP), mental health/substance abuse, stop loss, Consolidated Omnibus Budget Reconciliation Act (COBRA), and flexible spending accounts (FSA.) Humana has outsourced their administration of the County's COBRA benefits to Ceridian Corporation. Ceridian performs COBRA administrative tasks at their St. Petersburg, Florida facility.

Humana utilizes 2 third-party providers to process claims: *Argus*, headquartered in Kansas City, Missouri, and *Affiliated Computer Services (ACS)*, headquartered in Lexington, Kentucky. It should be noted that ACS uses an off-shore facility in Bangalore, India to perform data entry of medical paper claims and documents.

As of the May 2011 eligibility list provided by Humana, there were 13,012 members participating in the County's Plan. This included 12,327 active employees and dependents, 650 retirees and dependents, and 35 COBRA participants and dependents. The organizational breakdown of member participation is as follows:

Participating Agency	Number of Participating Members
Arts Council	13
Board of County Commissioners	10,596
Children's Board	159
Clerk of the Circuit Court	1,390
Court Administration	105
Tampa-Hillsborough Expressway Authority	48
Tampa Port Authority	294
Property Appraiser	289
Tampa Sports Authority	118
<b>TOTAL:</b>	<b>13,012</b>

The County Administrator recently reorganized the County's organizational structure. This reorganization separated the functions of the Human Resources Department (Department) into 2 divisions, both reporting to the *Chief Administrative Officer* position:

1. *Employee Services*, which includes Recruitment, Training, Employee Relations, and Labor Union Relations.
2. *Benefits Support Services*, which includes employee benefits.

### **OBJECTIVES:**

The primary objectives of this audit were (1) to review and evaluate the adequacy and effectiveness of the controls over employee benefit administration, (2) to ascertain compliance with agreements and contracts with the third-party administrator (TPA), Humana Insurance Company (Humana), and (3) to examine and evaluate the monitoring mechanisms established by the Department and the Clerk of the Circuit Court's (Clerk) Payroll Department who processes payroll for both Clerk and Board of County Commissioners' (Board) employees.

### **SCOPE:**

The audit was conducted in accordance with the *International Standards for the Professional Practice of Internal Auditing* issued by The Institute of Internal Auditors. The audit period covered by this review was from January 1, 2010 through May 31, 2011. Audit procedures included interviewing key personnel, reviewing key documents, performing a risk assessment to identify major risks associated with employee benefits, reviewing controls over the tuition reimbursement and retiree healthcare stipend programs, conducting fraud risk questionnaires, testing compliance with healthcare eligibility requirements, and reviewing paid pharmacy claims.

During the audit, we incurred a scope limitation in that we were not allowed to review the pharmacy claim detail information obtained from Humana due to the Department's concerns regarding HIPAA regulations. We obtained limited financial information indirectly by asking the Department to identify the applicable average wholesale price (AWP), as published in the *Red Book: Pharmacy's Fundamental Reference 2010 Edition* (Red Book), and supplying us with the following data found on the claim detail: the listed AWP, the claim paid date, the copayment amount, and the applicable drug tier and network.

As a result of this limitation, testing of the pharmacy claims was not truly independent. Our testing was limited to verifying copayment accuracy and payment timeliness. We also performed a reasonableness test of the billed pharmacy cost based on the AWP's provided. Because of this scope limitation, assessment of other pertinent accuracies, such as agreeing the claim information submitted by the pharmacy to the information billed by Humana and verifying claimant eligibility, could not be fully performed.

This audit did not include procedures to test paid medical claims, COBRA Administration, deferred compensation, flexible spending accounts, and dental, vision, life, or disability insurances.

## OVERALL EVALUATION:

The Department and the various participating County agencies were responsive to our inquiries and, except for the scope limitation mentioned above, provided thorough information when requested. We found knowledgeable and dedicated employees who were responsive to our recommendations.

The County's external consultant, *Milliman, Inc.* (Milliman), completed an audit of medical claims for the twelve month period of October 1, 2009 through September 30, 2010. In their draft report, dated October 27, 2011, provided to the Department, Milliman concluded that Humana's performance was better than average when compared to their benchmark scores.

The Department has implemented several controls regarding employee benefits administration. For example, they have developed and implemented procedures over tuition reimbursement, health insurance eligibility verification and reconciliation, the payment and reconciliation of retiree stipends, and the collection and reconciliation of retiree premium payments.

Our audit identified several opportunities to strengthen and improve existing controls. These include:

- Revising the policy, HR-5.02, *Tuition Reimbursement*, to clarify the wording as it relates to lab fees.
- Ensuring that all participants appearing on the eligibility lists have a valid Social Security Administration social security number, issued to the person claiming the number.
- Ensuring that information listed on the eligibility lists is reviewed for accuracy.
- Requiring Humana to provide accurate, timely, and complete paid pharmacy claims so that co-payments may be analyzed for accuracy.
- Ensuring that the retiree and COBRA reports are reconciled to the premium amounts paid by the participants and data is correctly reflected on the eligibility lists.
- Requiring participating agencies to comply with the records maintenance requirements outlined in their applicable Interlocal Agreement.

We also noted three items that were not directly within the control of the Department:

- The County does not have a business process outsourcing (BPO) strategy.
- Some local government County agencies either have not implemented their own fraudulent misconduct policy/code of ethics or have not adopted the County's Fraudulent Misconduct Policy.
- Travel costs may be higher if airfare is booked using one of the approved on-line travel providers, [www.aaa.com](http://www.aaa.com), because the provider charges a booking, or agent fee, for using their service.

The following table summarizes the Findings/Observations contained within this report. For each Finding/Observation, a cross-reference to the page number where the details of the Finding/Observation can be found has been included.

FINDING	DESCRIPTION	PAGE REFERENCE
1	Humana has not complied with the requirements of the Administrative Services Only Agreement.	See page 5 of this report.
2	The Department has not complied with the requirements of the Administrative Services Only Agreement.	See page 7 of this report.
3	One of the County's participating outside agencies is not in compliance with their Interlocal agreement.	See page 9 of this report.
4	The Employee Services Division is not in compliance with the <i>Tuition Reimbursement Policy</i> , HR-5.02.	See page 11 of this report.
5	Controls over the monitoring of the County's self-insured employee group health plan need improvement.	See page 12 of this report.
6	A deceased retiree, who died in July 2010, was listed on the May 2011 eligibility list.	See page 16 of this report.
OBS 1	The County does not have a strategy for reducing the risks inherent in business process outsourcing (BPO).	See page 17 of this report.
OBS 2	Not all local government County participating agencies who enter into agreements with the Board of County Commissioners (BOCC) have implemented a fraud policy and/or code of ethics.	See page 19 of this report.
OBS 3	Travel costs may be higher if airfare is booked using the AAA on-line travel provider.	See page 20 of this report.

**OPINION:**

Based on the results of our audit testing, except for the exceptions noted, controls over the employee benefits administration are adequate and effective. Our recommendations, if implemented, will enhance the internal controls used to carry out assigned responsibilities.

The final exit conference was held January 20, 2012.

**AUDIT BY:**

Dan Pohto, Director, County Audit  
Mark Kolman, Audit Manager  
Margaret Brown, Auditor  
Lovonia Scott, Auditor

## FINDINGS & RECOMMENDATIONS

**Non-Compliance:** Listed below are findings where we noted a lack of compliance with agreements, contracts, laws, rules, regulations, policies, and/or procedures. For each finding, a recommendation has been included.

### FINDING 1

**Humana has not complied with the requirements of the Administrative Services Only Agreement (Agreement), Hillsborough County Document Number 09-1402.**

We noted two instance in which Humana is not complying with the reporting requirements in the Agreement regarding the paid pharmacy claims reports:

1. The accuracy of the copayment amounts paid by the members cannot be verified by County staff because the prescription drug level is not identified. Each drug level represents a different copayment tier (Plan Design Benefits, Attachment 2a of Document Number 09-1402). Since Humana does not identify all components of cost associated with the pharmacy claim, copayment accuracy cannot be verified.
2. Due to issues experienced by Humana with the format of their financial report writing for Hillsborough County, as of June 30, 2011, County staff had not received the March, April, and May 2011 paid claims reports from Humana. These reports are to be provided on a monthly basis (Part B, Minimum Specifications, page MS-3, paragraph 3.4.3 of Document 09-1402). As a result, these monthly paid pharmacy claims were not reviewed by Department staff within a reasonable period of time. The reports were eventually received in July 2011 after Humana had made changes to the report format.

### RECOMMENDATION:

Regarding future agreements with Humana or other third-party administrator (TPA), the County should consider the following:

1. Identifying the type of specific data elements required for financial reporting within the language of contractual agreement.
2. Adding a “performance guarantee” pertaining to accurate and consistent financial reporting. The performance guarantee should be tied to a specific monetary penalty. This would assist in obtaining financial reports on a consistent and accurate basis.

### CLIENT RESPONSE:

1. *Concur*
2. *Concur*

***CORRECTIVE ACTION PLAN:***

- 1. The Humana contract currently contains language that provides for custom pharmacy utilization and cost reports as required by Hillsborough County at no additional costs. Contract language will be modified to accommodate reporting data as needed in the future at no additional cost.*
- 2. The County will negotiate with Humana to develop a performance guarantee for accurate and consistent financial reporting with the potential for a specific monetary penalty due to non-compliance.*

***TARGET COMPLETION DATE:***

- 1. October 1, 2012*
- 2. October 1, 2012*

## FINDING 2

### **The Department has not complied with the requirements of the Administrative Services Only Agreement (Agreement), Hillsborough County Document Number 09-1402.**

During our review of the May 2011 eligibility list, we identified an individual who was employed for one month with the County from March 15, 2010 to April 16, 2010, but, as a result of an input error, was listed as “eligible” as of May 2011.

According to Document Number 09-1402, Part B Minimum Specifications, page MS-51 in the section titled *Eligibility and Effective Date of Coverage*, a new employee must meet the 60-day continuous employment requirement before becoming eligible to receive healthcare benefits. This individual should not have been placed on the eligibility list.

#### **RECOMMENDATION:**

The Department should perform the following:

1. Immediately remove individual from the eligibility list.
2. Notify Humana with this information.
3. Verify that medical claims were not paid on behalf of this individual.
4. Obtain any refunds of Administrative Services Only (ASO) fees paid on behalf this individual.
5. Develop and implement a procedure or process to ensure that new hires are not placed on the eligibility list until the 60-day continuous employment requirement has been satisfied and confirmed.

#### **CLIENT RESPONSE:**

1. *Concur*
2. *Concur*
3. *Concur*
4. *Concur*
5. *Concur*

**CORRECTIVE ACTION PLAN:**

1. *The individual is now removed from eligibility list.*
2. *Humana is now notified about this individual.*
3. *It is now verified that no claims were paid on behalf of this ineligible employee. It is noted here that Humana previously canceled this individual in their platform system, but somehow the employee remained on their eligibility file. Humana is researching why a canceled individual can remain part of the eligibility file.*
4. *All funds are now received.*
5. *A procedure is now in place for the Human Resources Benefits Electronic Mailbox to receive notice of terminations through the Human Resources Information System (HRIS). A data base is under development that will compare HR's information with Humana's.*

**TARGET COMPLETION DATE:**

1. *August 31, 2011*
2. *January 27, 2012*
3. *February 29, 2012*
4. *February 29, 2012*
5. *May 31, 2012*

### FINDING 3

**One of the County’s participating outside agencies is not in compliance with their Interlocal agreement.**

According to *Section II, Plan Administration, Subsection C, Obligations of the Employer, paragraph 18* of the Hillsborough County Document Number 10-1170, *Interlocal Agreement between Hillsborough County Board of County Commissioners and Tampa Sports Authority For Participation in the Hillsborough County Group Benefit Programs*, the employer, Tampa Sports Authority (TSA), agrees to “retain all detailed information on each participant including, but not limited to, name, social security number, type of coverage and plan option selected, supporting documentation, and the respective Employer and Employee contributions.”

The employee benefit files did not contain sufficient documentation to support the employees’ current participation in the County’s employee group health plan. The three files selected and tested on August 18, 2011, all contained outdated information. The most recent documentation contained in the three files ranged from 2004 to 2008.

The TSA’s human resources director left abruptly in July 2011, leaving an unorganized office, an excessive amount of unfiled paperwork, and insufficient employee benefit file documentation.

**RECOMMENDATION:**

The County’s Benefits Support Services Division should perform a quality assessment of the TSA benefit files as soon as possible.

**CLIENT RESPONSE:**

*County Response*

*Concur*

*Tampa Sports Authority Response*

*Concur*

**CORRECTIVE ACTION PLAN:**

*County Response*

*A quality assurance assessment of all the Tampa Sports Authority’s (TSA) benefit files, for full time employees, is scheduled for April 9, 2012. A new benefits report tracking procedure is implemented to keep the TSA compliant with the interlocal agreement.*

*Tampa Sport Authority Response*

1. *The Authority has recently hired a Human Resources Manager to fill the vacated position referenced in the report.*
2. *The Authority has requested the assistance of the Hillsborough County's Benefits Support Service Division staff. A Quality Assurance Assessment of all the Authority's Benefit files, for full time employees, is scheduled for 04/09/2012.*
3. *Prior to the Quality Assurance Assessment on 04/09/12, the Authority's Human Resources Manager will complete a 100% audit of all full time employee files, using the County's benefits Support Services Division assessment tools. The Authority's Human Resource Manager will ensure that proper documentation exists in each file and that all benefits documents are within compliance of the Inter-local Agreement.*
4. *With the assistance of the Hillsborough County Benefit Support Service division staff, new Benefits report tracking procedures have been implemented keeping the Authority in compliance with the Inter-local Agreement.*

**TARGET COMPLETION DATE:**

*April 27, 2012*

## FINDING 4

### **The Department is not in compliance with the *Tuition Reimbursement Policy, HR-5.02.***

According to HR-5.02, “costs for transportation, required books and supplies, associated labs, lab fees, or other course fees are not reimbursable.”

During testing we found that the cost of three labs, totaling \$260.40, was reimbursed to employees in contradiction with HR-5.02.

Management was not aware of the wording differences, as it related to “associated labs and lab fees.”

#### **RECOMMENDATION:**

The Department should revise the wording of their tuition reimbursement policy as it relates to “associated labs and lab fees.” These terms should be clearly defined.

#### **CLIENT RESPONSE:**

*Concur*

#### **CORRECTIVE ACTION PLAN:**

*The Department will revise policy HR-5.02 to more clearly define “associated labs and lab fees.”*

#### **TARGET COMPLETION DATE:**

*February 17, 2012*

**Control Activities:** Listed below are findings that represent opportunities for Benefits Support Services to strengthen the internal controls surrounding employee benefits. For each finding, a recommendation has been included.

## FINDING 5

### Controls over the monitoring of the County's self-insured employee group health plan need improvement.

1. Of the 13,139 participants listed on the February 2011 eligibility, we noted the following exceptions:

Not all participants listed on the eligibility lists have a social security number or have a valid social security number.

- a. Six hundred fifteen (615) participants had either a blank social security number data field or had zeros listed in the data field.
- b. Six social security numbers listed were identified as not conforming to the allocation of the *High Group List* issued by the Social Security Administration and found on their website at [www.socialsecurity.gov/employer/ssnhighgroup](http://www.socialsecurity.gov/employer/ssnhighgroup).

Social security numbers are not verified by the Department for accuracy with either the Social Security Administration (*Social Security Number Verification Service* at [www.ssa.gov/employer/ssnvs](http://www.ssa.gov/employer/ssnvs)) or a third-party service provider (for example, *SSN Validator* at [www.ssnvalidator.com](http://www.ssnvalidator.com)). The Department is mainly concerned with the "subscriber" social security number than a dependent's number since Humana no longer asks for the dependents social security number to be provided.

Because Social Security numbers are not verified to determine that they are valid, as issued by the Social Security Administration, claim payments may be made on behalf of ineligible participants. When we tested pharmacy claims, we did not identify any claims paid on behalf of these social security numbers.

2. Of the 13,012 participants listed on the May 2011 eligibility list, 12,327 were classified as active employees, 650 were classified as retirees, and 35 were classified as COBRA participants. We selected 100 participants for testing: 30 active employees, 30 retirees, and 30 COBRA participants. We also selected 10 new additions (in other words, those that were added to the Plan during our audit period) to test for eligibility. During testing we noted the following exceptions:

There were differences between the eligibility lists and the retiree payment reports and/or agency records. Of the 30 retirees tested:

- a. The premium amount of \$542 per month paid by one retiree, as listed on the Florida Retirement System (FRS) report (the lower cost coverage plan

“Coverage First/Single”), did not match the elected coverage of \$618 per month (for the higher cost coverage plan “Exclusive Provider Organization, or EPO, without Deductible/single) as evidenced by the top portion of the enrollment form and listed on the May 2011 eligibility list. Both coverage plans were indicated on the enrollment form. As a result, if the retiree’s intention was to choose the higher cost coverage plan, then the retiree has underpaid the required premium amounts by \$76 per month. If the retiree’s intention was to choose the lower cost coverage plan, then the retiree may not have met the \$1,000 deductible after exhausting the \$1,000 Benefit Allowance.

- b. One retiree was listed on the May 2011 eligibility list but could not be identified on either the Direct Pay report or the FRS report for premium payment. The individual retired in January 2011 but had not paid any health insurance premiums as of May 2011. Although coverage was cancelled effective July 28, 2011, this retiree received \$129 in pharmacy claims paid on their behalf after their retirement month.
3. There were differences between the eligibility list and the COBRA reports and/or agency records. Of the 30 COBRA participants tested:
- a. One individual was identified as a BOCC employee on the eligibility list but agency records showed the person as a Clerk employee. Also, the effective date of coverage listed on the eligibility list for this person was the effective date of coverage when the employee was a full-time employee, not the effective date of COBRA coverage.
  - b. One individual had the “EPO without Deductible/employee plus spouse” plan and coverage level listed on the eligibility list for a monthly premium amount of \$1,142. However, COBRA payments were for the “single” plan and coverage level of \$618 per month. The spouse’s name (and matching subscriber social security number) was identified on the eligibility list. According to the paid pharmacy claims report received from Humana, there were 4 claims incurred on behalf of the spouse after the effective date of COBRA coverage. As a result, the individual paid \$524 less per month ( $1,142 - 618 = 524$ ) for the higher cost plan for a period of six months (December 2010 to May 2011), resulting in premium underpayments totaling \$3,144 ( $6 \times \$524 = \$3,144$ ).
  - c. One individual had the “EPO without Deductible/employee plus spouse” plan and coverage level listed on the eligibility list for a monthly premium amount of \$1,142. However, the elected COBRA coverage and paid premiums are for the “Coverage First/employee plus spouse” plan and coverage for a monthly premium amount of \$1,003. According to the paid pharmacy claims report received from Humana, there were 15 claims incurred after the effective date of COBRA coverage and each claim referenced the higher cost EPO plan. As a result, this individual paid \$139 less per month ( $\$1,142 - \$1,003 = \$139$ ) for the higher cost plan for a period of twelve months (June 2010 to May 2011), resulting in premium underpayments totaling \$1,668 ( $12 \times \$139 = \$1,668$ ).

- d. One individual had the “EPO with Deductible/Family” plan and coverage plan listed on the eligibility list for a monthly premium amount of \$1,537. However, the elected COBRA coverage and paid premiums are for “EPO without Deductible/Family” plan and coverage level for a monthly premium amount of \$1,586. As a result, this individual paid \$49 more a month ( $\$1,586 - \$1,537 = \$49$ ) for the lower cost plan for a period of six months (December 2010 to May 2011), resulting in premium overpayments totaling \$294 ( $6 \times \$49 = \$294$ ).

The County has outsourced its COBRA administration to a third-party (Ceridian). Although COBRA administration has been outsourced to this third-party, a level of risk and responsibility still rests with the County. The County is responsible for monitoring the third-party. As a result, COBRA participants may not be paying the required premiums for the health care coverage indicated on the eligibility lists.

**RECOMMENDATION:**

1. The Department should ensure that all covered participants have a valid social security number. Claims with invalid social security numbers should not be paid.
- 2a. Benefits personnel should confirm with the retiree which coverage is desired. Depending on which option was selected and when, the underpaid premiums could be \$608, if coverage was for 8 months (February 2010 - September 2010), or \$1,216, if coverage was for 16 months (February 2010 – May 2011). If the higher cost “EPO without Deductible/Single” plan was the retiree’s desire, then the underpaid premiums (of 8 months or 16 months) should be collected. If the lower cost “Coverage First/single” plan was the retiree’s desire, then the eligibility list should be corrected to accurately reflect retiree’s coverage.
- 2b. Benefits personnel should seek refunds for claims paid on behalf of the retiree that occurred after retirement. Our review identified that the County paid \$129 for pharmacy claims incurred after the retirement month. Also, a refund of any Administrative Services Only (ASO) fees paid to Humana should be pursued.
3. Benefits Support Services should reconcile the COBRA reports to the eligibility reports to ensure that the COBRA premiums paid, as evidenced by reports provided by Ceridian, correspond to the coverage selected on the eligibility list.

**CLIENT RESPONSE:**

1. *Concur*
- 2a. *Concur*
- 2b. *Concur*
3. *Concur*

**CORRECTIVE ACTION PLAN:**

1. *The Human Resources (HR), Benefits Support Services will verify the Social Security numbers of covered employees.*
- 2a. *The administrative error was corrected through Humana in August, 2011. The County liability was \$0.64.*
- 2b. *A process is now in place where the HR Retirement Unit notifies the HR Fiscal representatives of all new retirees in each month. The HR Fiscal section is developing a data base of all retirees with health coverage, which will be reconciled monthly against payments received, whether from the Florida Retirement System or as a direct pay. Refunds for claims paid after retirement and ASO fees paid to Humana will be pursued.*
3. *Benefits Support Services will receive a report copy that Business & Support Services receives each month and reconcile to ensure that the COBRA premiums paid correspond to the coverage selected on the eligibility list.*

**TARGET COMPLETION DATE:**

1. *April 1, 2012*
- 2a. *August 31, 2011*
- 2b. *May 31, 2012*
3. *March 31, 2012*

## **FINDING 6**

### **A deceased retiree, who died in July 2010, was listed on the May 2011 eligibility list.**

On the May 2011 eligibility list, a former employee of the Tampa Sports Authority (TSA) was listed as a retiree. However, when we went to the TSA's offices to review their records, we were informed that this individual had passed away in July 2010.

The TSA's human resources director left abruptly in July 2011, leaving an unorganized office, an excessive amount of unfiled paperwork, and insufficient employee benefit file documentation. Either Humana was not notified of the individual's passing or was notified and failed to remove the retired employee from the eligibility list. The eligibility status of the outside agency's participants needs to be reviewed on a recurring basis by Benefits Support Services to ensure accuracy. If not reviewed and monitored, the eligibility lists provided by Humana may not be accurate.

### **RECOMMENDATION:**

The TSA should periodically review the eligibility list to ensure that Humana's records and TSA records are reconciled.

In the event of a death of an employee or retiree, a participating agency should notify both Humana and the County's Benefits Support Services of this occurrence. Once notification is provided, the participating agency should then follow-up by reviewing the monthly eligibility reports to verify that the individual has been removed from the eligibility list.

### **CLIENT RESPONSE:**

*Concur*

### **CORRECTIVE ACTION PLAN:**

*The Tampa Sports Authority's (TSA) Human Resources Manager now reviews the Humana Eligibility Report monthly.*

*All discrepancies between the monthly Humana report and the TSA's records are reported to both the Hillsborough County on-site Humana representative and to the County Human Resources Benefits Division staff.*

### **TARGET COMPLETION DATE:**

*January 31, 2012*

## OBSERVATIONS

Listed below are items we observed during the audit which we felt were either outside the scope of our audit or not directly within the control of the department audited but worthy of being brought to the attention of management.

### OBSERVATION 1

**The County does not have a strategy for reducing the risks inherent in business process outsourcing (BPO).**

BPO is the contracting of a specific task or process to a third-party provider. BPO includes the software, the process management, and the people to operate the service. Use of a BPO usually means that a certain amount of risk is transferred to the third-party provider that is running the process elements on behalf of the County. These County risks include:

- Loss of control of organization data, image, and good name.
- Insufficient service provider security to counter risks.
- County data may be exposed to other BPO customers or compromised.
- Failure to account for the financial future of the service provider in general (i.e., how financially stable they are).

The County has BPO contracts where specific business tasks have been outsourced to third-party providers. For example, employee group health care benefit claims processing and payment is outsourced to Humana, Inc., COBRA administration is outsourced to Ceridian, and the billing, collecting, and recording of Fire Rescue's patient medical transport and fire inspection fees are outsourced to ADPI-Intermedix. These third-party providers may further outsource part or all of a process somewhere else.

**Note: This Observation was also in County Audit Report #194, dated December 10, 2009, Humana Insurance Company, Inc. Contract. (Follow-up to report #165)**

### RECOMMENDATION:

The County should establish and implement a well-defined outsourcing strategy. The strategy should include the evaluation of the risks involved when moving to a BPO infrastructure, as well as on-going monitoring procedures of the third-party provider.

### CLIENT RESPONSE:

*Concur*

***CORRECTIVE ACTION PLAN:***

*The Executive Team will review the merits and risks of Business Process Outsourcing by vendors and develop policy accordingly.*

***TARGET COMPLETION DATE:***

*August 30, 2012*

## OBSERVATION 2

**Not all local government County participating agencies who enter into agreements with the Board of County Commissioners (BOCC) have implemented a fraud policy and/or code of ethics.**

According to the BOCC Policy *Fraudulent Misconduct Policy*, Section 02.16.00.00, it is the policy of the BOCC to:

- Prohibit individuals from placing County resources at risk through fraudulent misconduct, misappropriation of assets, and fraudulent reporting of information affecting the County; and
- Require the County Administrator and Agencies (who adopt this policy) to develop and implement procedures that assign prevention, detection, and investigation responsibilities to ensure the consistent enforcement of this policy.

During our review, we identified that not all local “outside” government agencies, who conduct business with the BOCC, have implemented their own fraud policy/code of ethics or have adopted the BOCC’s *Fraudulent Misconduct Policy*, including Administrative Directive AD-30, and Administrative Directive MS-15 which addresses the responsibilities and procedures for implementing the *Fraudulent Misconduct Policy*. These agencies (Children’s Board, Tampa Port Authority, Tampa-Hillsborough Expressway Authority, and Arts Council) may not be aware of the option that these policies and directives can be adopted and implemented as their own, rather than creating others from scratch.

### RECOMMENDATION:

1. Local government County agencies should consider adopting the County's policies and directives on fraud if they do not have one in place or an adequate version of them.
2. Also, as part of any Interlocal Agreement language, the County should stipulate that the participating organization either develop and implement their own fraud policy and/or code of ethics or adopt the County's policy and directive by reference.

### CLIENT RESPONSE:

1. *Concur*

2. *Concur*

### CORRECTIVE ACTION PLAN:

1. *County Management will ask the County Attorney’s Office to develop additional interlocal agreement language that addresses fraud. That language will urge County agencies that are parties to interlocal agreements to consider adopting the County’s policies and directives on fraud if one is not already established in their organization.*
2. *See response above.*

### TARGET COMPLETION DATE:

1. *August 30, 2012*

2. *August 30, 2012*

### OBSERVATION 3

#### **Travel costs may be higher if airfare is booked using the AAA on-line travel provider.**

According to the County's travel policy *Administrative Directive (#AD-09), Section 7, Travel Booking*, employees are allowed to look for better fares by utilizing the Internet to book travel arrangements. Travel costs may be higher if airfare is booked using one of the County's recommended on-line travel providers, [www.aaa.com](http://www.aaa.com), because the provider charges a booking, or agent fee, for using their service. Other providers, such as [www.travelocity.com](http://www.travelocity.com), [www.expedia.com](http://www.expedia.com), [www.orbitz.com](http://www.orbitz.com), [www.cheapfares.com](http://www.cheapfares.com), and [www.top20.travelzoo.com](http://www.top20.travelzoo.com), do not have a booking fee.

It is in the best interest of the County to minimize costs where possible.

#### **RECOMMENDATION:**

Employees should refrain from using [www.aaa.com](http://www.aaa.com) for booking air travel. The County's Administrative Directive has not been revised since 2009 and should be updated to reflect more current travel providers. Possible suggestions to updating the administrative directive include:

- expand the approved suggested list to include newer providers,
- during periodical reviews of AD-09, the Web links listed within the document should be verified to ensure that links are still active and any inactive Web links should be removed accordingly,
- caution employee of possible agent, or booking, fees that maybe incurred with the use of certain providers,
- caution employee that known agent fees are incurred when using [www.aaa.com](http://www.aaa.com),
- remove [www.aaa.com](http://www.aaa.com), or any other provider that charges fees, from the administrative directive, and
- require employee to document reasons why an on-line travel provider that charged a fee was used as opposed to one that does not charge a fee.

#### **CLIENT RESPONSE:**

*Concur*

#### **CORRECTIVE ACTION PLAN:**

*Administrative Directives AD-09 will be updated to reflect current and lowest cost booking providers for air travel.*

#### **TARGET COMPLETION DATE:**

*May 31, 2012*