

COUNTY AUDIT DEPARTMENT

REPORT # 380

An Audit of:

DEPENDENTS BENEFITS ELIGIBILITY

JUNE 5, 2020



Pat Frank INTEGRITY. TRANSPARENCY. ACCOUNTABILITY.

CLERK OF COURT & COMPTROLLER • HILLSBOROUGH COUNTY, FLORIDA



June 5, 2020

The Honorable Lesley “Les” Miller, Jr., Chairman
The Honorable Ken Hagan
The Honorable Pat Kemp
The Honorable Sandra L. Murman
The Honorable Kimberly Overman
The Honorable Mariella Smith
The Honorable Stacy R. White

Dear Chairman Miller and Commissioners:

The Audit Team performed an audit of the Dependents Benefits Eligibility Process (Audit Report #380, dated June 5, 2020). Responses to the Audit Team’s recommendations were received from the Director of the County Human Resources (HR) and have been included in the Report after each audit comment and recommendation.

The purpose of this Report is to furnish management independent, objective analysis, recommendations, counsel, and information concerning the activities reviewed. It is not an appraisal or rating of management.

Although the Audit Team exercised due professional care in the performance of this audit, this should not be construed to mean that unreported noncompliance or irregularities do not exist. The deterrence of fraud and/or employee abuse is the responsibility of management. Audit procedures alone, even when carried out with professional care, do not guarantee that fraud or abuse will be detected.

The Audit Team appreciates the cooperation and professional courtesies extended to the auditors by the Directors and personnel of the County Human Resources Department for this audit.

Sincerely,

Heidi Pinner, CIA, CISA, CFE, CRMA
Senior Director of County Audit

CC: Mike Merrill, County Administrator
Bonnie Wise, Chief Financial Administrator
Ivey Martin, Director of Human Resources
Debbie Benavidez, Director, Enterprise Solutions and Quality Assurance
Dan Klein, Chief Executive Officer, Clerk of Court and Comptroller
Rick VanArsdall, Chief Operating Officer, Clerk to the Board

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EXECUTIVE SUMMARY

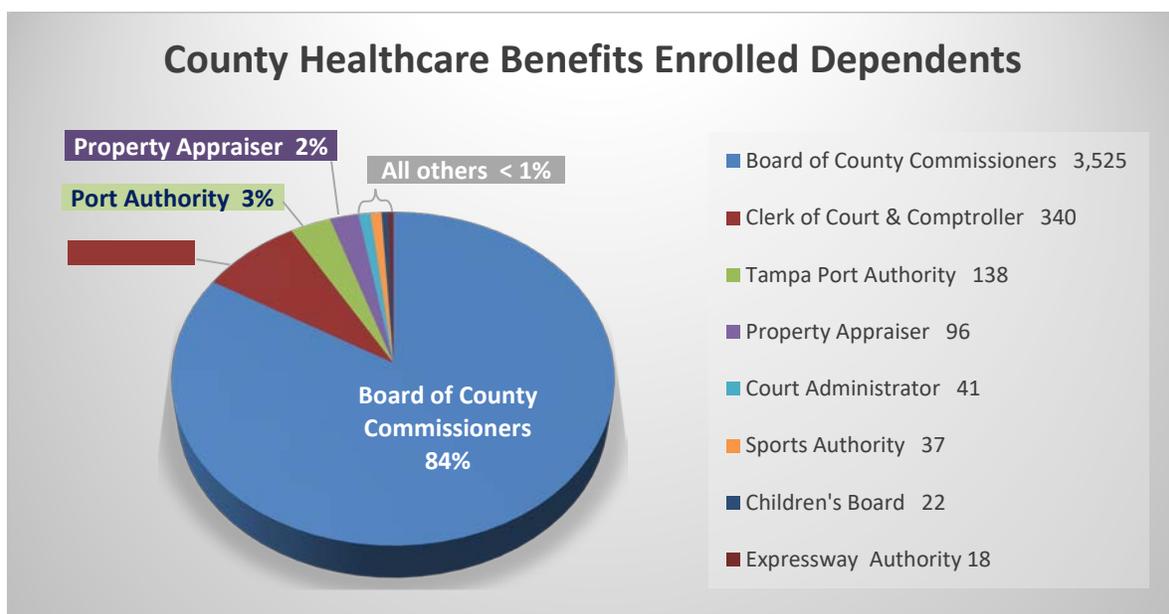
BACKGROUND INFORMATION

Hillsborough County maintains a self-funded Healthcare Benefits Plan administered by the third party provider, Cigna. Medical coverage is offered at a subsidized rate to County employees and to the employees of other participating agencies.

During initial enrollment, dependent verification is performed by the respective Human Resource (HR) Departments to ensure that benefits are only utilized by eligible individuals and family members. The requirement for dependent eligibility documentation was established in April 1999. Any dependents enrolled prior to that date have been grandfathered in the plan without supporting documentation. The County Healthcare Benefits Plan defines a dependent as “a covered employee’s legal spouse, domestic partner or a dependent child of the employee or employee’s spouse under the age of 26.”

During the course of this audit, the County’s HR department also engaged an independent healthcare auditing firm called *Impact Interactive* to assist them in verifying eligibility for the existing population of employees and their spouses enrolled in the County Healthcare Benefits Plan. Therefore, the Audit Team focused its effort on the review of existing process controls and limited sample testing to child dependents currently enrolled in the County Healthcare Benefits Plan. This testing approach was designed to serve as a complement to the overall assessment and avoid any duplication of efforts.

The County Healthcare Benefits Plan contained 4,217 enrolled dependents as of April 1, 2019:



OBJECTIVE

The objective of the audit was to determine whether or not there are adequate controls in place to ensure that only eligible dependents were included in the County Healthcare Benefits Plan.

SCOPE

The audit was conducted in conformance with the Generally Accepted Government Auditing Standards and the International Standards for the Professional Practice of Internal Auditing. These Standards require that County Audit plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for the audit comments and conclusions based on the audit objectives. County Audit believes that the evidence obtained provides this reasonable basis.

Audit procedures included observations, inquiries and validation of the control environment, procedures, processes and control activities related to the initial and ongoing verifications of dependents eligibility. The testing scope included all employees with child dependents enrolled in the County Benefits Plan as of April 2019.

OVERALL EVALUATION**Process Strengths:**

- Dependent eligibility is clearly defined for the benefits plan.
- Employees are required to provide applicable supporting documentation for dependents within 30 days of enrollment.
- A process is in place for all participating agencies to review and approve of information and supporting documentation provided by employees.
- All BOCC (Board of County Commissioners) and CCC (Clerk of Court & Comptroller) participants with dependents enrolled in the County Benefit Plan were active employees.
- Employees must attest to the eligibility of any enrolled dependents annually during benefits enrollment.

Control Improvement Opportunities:

- Not all employees had supporting documentation on file to support dependent eligibility. Missing documentation was observed in BOCC, COCC, Court Administrator and Sports Authority files.

OPINION

Control Maturity Levels



The control environment relative to the dependents benefits eligibility process is at a managed maturity level. This is an above average rating which means that established controls are well defined and documented. This level of control maturity places a greater reliance on prevention versus detection controls, includes strong self-assessment of operating effectiveness and a chain of accountability that is well understood. Opportunities were identified to increase the level of supporting documentation maintained for employee’s children. Addressing these opportunities will further enhance the overall control structure and provide increased consistency and assurance.

The exit conference was held on February 28, 2020.

AUDITED BY

- Heidi Pinner, CIA, CISA, CFE, CRMA, Senior Director, County Audit
- Margaret Brown, CIA, Audit Manager
- Raul Cardona, CIA, CISA, CSX-A, Senior Internal Auditor
- Terrell Alston, Internal Auditor

AUDIT COMMENT & RECOMMENDATIONS

Opportunities exist to enhance the controls surrounding the dependent benefits eligibility process and ensure that only eligible dependents are enrolled in the County Healthcare Benefits Plan.

As previously stated, the Human Resources Department contracted with a third party to perform a concurrent reverification of all dependent spouses/partners. Therefore, the Audit Team limited testing to the eligibility of child dependents for the BOCC and other independent agencies.

BOCC Dependents

At the time of testing there were 3,525 child dependents of BOCC employees enrolled in the County Healthcare Plan. The Audit Team selected a statistical sample of 252 of these dependents for testing. Because a statistical sample was utilized, the Audit Team can conclude that the results of our sample are representative of the results for the entire population with 90% certainty and a 5% margin of error.

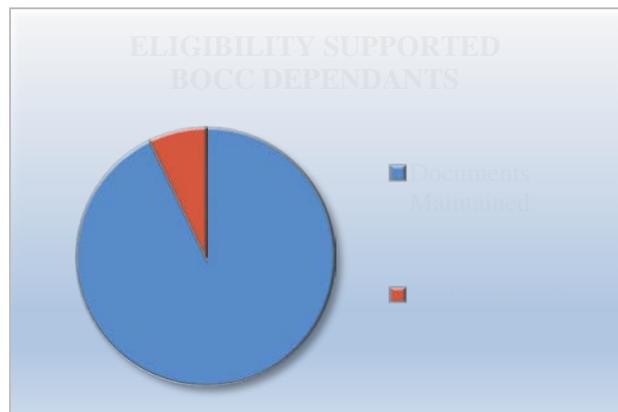
The Audit Team obtained and reviewed all the supporting documentation for each child dependent included in the sample and confirmed whether or not the dependent was eligible. All types of child dependents were included in the samples (e.g., child, step child, grandchild, ward, etc.).

Result of Testing:

Two hundred and thirty four (234) of the 252 (93%) dependents tested had proper supporting documentation on file.

The other 18 dependents (7%) did not have supporting documentation on file.

At the time of testing, there was no process in place to re-verify enrolled dependents and or obtain the appropriate supporting documentation for an already enrolled dependent. Some of the enrolled dependents pre-dated the April 1999 support requirement.



Other Agencies Dependent Sample Testing

Control reviews and sample testing was performed for each of the participating agencies in the County Healthcare Plan. These samples were selected judgmentally based on each agencies proportionate share of plan participants with dependents. The participating agencies had 692 active dependents participating in the County Healthcare Benefits Plan as of April 1, 2019.

The Audit Team obtained and reviewed all supporting documentation for each child dependent included in the samples and confirmed whether or not the dependent was eligible. All types of child dependents were included in the samples (e.g., child, step child, grandchild, ward, etc.).

Result of Testing:

Agency	Total Dependents	Records Tested	Eligibility Supported	%	Documents Not Found	%
Clerk of Court & Comptroller	340	24	14	58%	10	42%
Tampa Port Authority	138	6	6	100%	0	0%
Property Appraiser	96	4	4	100%	0	0%
Court Administrator	41	4	3	75%	1	25%
Sports Authority	37	5	4	80%	1	20%
Children's Board	22	4	4	100%	0	0%
Expressway	18	2	2	100%	0	0%
	692	49	37	76%	12	24%

For the 49 dependents in the sample of independent agencies, the Audit Team determined that thirty seven (37) of the 49 (76%) dependents tested had proper documentation on file and twelve (12) of the 49 (24%) dependents tested did not have required supporting documentation on file. The exceptions noted by agencies were: Clerk of Court & Comptroller (10), Court Administrator (1), and Sports Authority (1).

Overall Plan Enrollment

The Audit Team also confirmed eligibility for each of the Board and Clerk organization employees with enrolled dependents in the County Healthcare Benefits Plan by comparing them to the list of active BOCC and CCC employees. These organizations represent 92% of all plan participants.

Result of Testing:

All BOCC and COCC employees listed in the County Healthcare Benefits Plan with dependents were found to be active employees.

RECOMMENDATIONS

The following recommendations should be considered by management to ensure compliance with the County Human Resources policies and help reduce the costs of healthcare by ensuring only eligible dependents are enrolled in the plan.

1. Review the remaining employee files for completeness and obtain supporting documentation for any dependents with missing documentation, including those enrolled prior to April of 1999.
2. Remove any dependents from the healthcare plan whose eligibility cannot be verified and supported.
3. Ensure that the verification, review and maintenance of dependent eligibility is performed consistently for all agencies within the County Healthcare Benefits Plan. This could be accomplished by formalizing a plan-wide process and procedure or through periodic monitoring of other agency records.
4. Consider performing periodic re-certifications of dependents eligibility. This process could be on a sample or rotational basis.

CLIENT RESPONSE:

1. *Concur. The County recently completed a Dependent Eligibility Verification Audit through a third-party vendor. For the 7% of audit samples found out of compliance in this audit, all have been resolved.*
2. *Concur. Human Resources agrees that employees/retirees who cannot comply with the supporting documentation requirement have not and will continue to not be permitted to be covered under the County's benefit programs.*
3. *Concur. Human Resources agrees that supporting documentation requirements apply to all participating agencies and their employees/retirees.*
4. *Concur. Human Resources agrees that periodic recertification of dependent eligibility should be conducted moving forward.*

CORRECTIVE ACTION PLAN:

1.
 - a) *Human Resources will create an audit spreadsheet, pull a random sample of 200 employees each month, research employees' imaged file and communicate with employees for documentation, where needed. With each random sample pulled, a percentage of compliance rate will be reviewed, and the monthly sample size adjusted as needed. Considering the number of files to research, completion of this recommendation is estimated to be 13 months, or April 30, 2021.*
 - b) *Human Resources has begun the process of auditing the imaged files of employees with covered dependents added to the County's Health Plan prior to April 1, 1999. This consists of 771 covered children (included in the aforementioned count). Birth certificates not found in imaged files will be requested of the employees. Completion date is estimated to be September 30, 2020.*
2. *During the process outlined above, Human Resources will remove dependents from the plans where appropriate supporting documentation has not been provided. This will be done in conjunction with the action plan above.*
3. *Human Resources will review the Interlocal Agreements between the County and benefit program participating agencies who administer benefit programs for their employees and make updates where necessary, which will include periodic reviews of other agency personnel files to verify supporting documentation compliance. The Interlocal Agreements requiring updates will be presented to the BOCC for approval. Completion date is estimated to be December 31, 2020.*
4. *Similar to the Human Resources audit performed by a third-party audit firm in the Fall of 2019, we will continue to conduct Dependent Eligibility Verification Audits every three to five years. The audit scope will include verification of the eligibility of all dependents covered under the County's Group Health Plan and a recertification of spouse and domestic partner residential and financial interdependence.*

TARGET COMPLETION DATE:

1. *(a) April 30, 2021 (b) September 30, 2020*
2. *Same as 1.*
3. *December 31, 2020*
4. *August 2022 – August 2024 and every 3 – 5 years thereafter.*