

# COUNTY AUDIT DEPARTMENT

## **REPORT # 381** **(Addendum to Report # 380)**

*An Audit of:*  
**CLERK DEPENDENTS BENEFITS ELIGIBILITY**

**JUNE 5, 2020**



*Pat Frank* INTEGRITY. TRANSPARENCY. ACCOUNTABILITY.

CLERK OF COURT & COMPTROLLER • HILLSBOROUGH COUNTY, FLORIDA

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June 5, 2020

**Pat Frank**  
**Clerk of Court and Comptroller**

Dear Ms. Frank:

The Audit Team performed an audit of the Dependents Benefits Eligibility process (Audit Report # 381, June 5, 2020). Responses to the Audit Team's recommendations were received from the Director of Human Resources 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 Director and personnel of Human Resources during this audit.

Sincerely,

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

CC: Dan Klein, Chief Executive Officer, Clerk of Court and Comptroller  
Kimberly Richards, Chief Deputy Administration  
Manuel Mangual, Director, Human Resources

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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 Clerk employees.

During initial enrollment, dependent verification is performed by the Clerk's Human Resources (HR) Department 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."

The County's HR department recently 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. The Audit Team focused its effort on the review of existing process controls and limited sample testing of 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 Clerk's Office, as a participant in the County Benefits plan, was subject to this audit testing.

### 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 Clerk 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 to review and approve of information and supporting documentation provided by employees.
- All CCC (Clerk of Court & Comptroller) participants with dependents enrolled in the County Benefit Plan were active employees.

**Control improvement opportunities:**

- Not all employees had supporting documentation on file to support dependent eligibility.

**OPINION**



The control environment relative to the dependents benefits eligibility process is at a formal maturity level. This means that established controls are well defined and documented. This level of control maturity displays overall control awareness, control gaps are detected and remediated timely. Opportunities were identified to increase the level of supporting documentation maintained for employee’s children. Addressing these opportunities will enhance the overall control structure and provide increased consistency and assurance.

The exit conference was held on March 20, 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 II

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## AUDIT COMMENT & RECOMMENDATIONS

### AUDIT COMMENT

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

The Audit Team reviewed policies, performed walkthroughs and interviewed process owners in order to get a basic understanding of the following:

- Definition of a dependent as it relates to the Healthcare Program.
- Qualifying events and applicable time periods for employees to make benefit selections.
- Employee supporting documentation requirements and reviews performed by the Clerk's HR department.
- Management procedures.

As part of the overall County Benefits plan testing, a judgmental sample of 24 Clerk dependents was selected for testing. Control reviews and testing were performed for each Clerk dependent included in the sample. The Clerk's Office had 340 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 sample and confirmed whether or not the dependent was eligible. All types of child dependents were included in the sample (e.g., child, step child, grandchild, ward, etc.).

The Audit Team also confirmed eligibility for each of the Clerk's Office employees with enrolled dependents in the County Healthcare Benefits Plan by comparing them to the list of active CCC employees.

### TESTING RESULTS

- Dependent eligibility is clearly defined for the benefits plan.
- Employees are required to provide applicable supporting documentation for dependents within 30 days of enrollment.
- All Clerk participants with dependents enrolled in the County Benefit Plan were active employees.
- Not all employees had supporting documentation on file to support dependent eligibility. Fourteen (14) of the 24 files tested (58%) had proper supporting documentation for dependents. The remaining 10 files (42%) did not have required supporting documentation on file.

While this was a judgmental sample selected for a small portion of the total population, an error rate of 42% would indicate that additional exceptions exist. Based on conversation with the

Clerk's HR team, supporting documentation was not required to be maintained before 2015. Prior to 2015, HR only requested employees to show the required document(s) and that was deemed sufficient for receiving healthcare benefits. In 2016 a new policy was implemented requiring documentation to be obtained, reviewed, and maintained in order for healthcare benefits to be approved. Per HR, the exceptions identified relate to long-term employees that were hired prior to the policy change.

## **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 2016.
2. Remove any dependents from the healthcare plan whose eligibility cannot be verified and supported.
3. Consider performing periodic re-certifications of dependents eligibility or at a minimum having employees formally attest to the eligibility of their enrolled dependents annually.

## ***CLIENT RESPONSE:***

1. *Concur*
2. *Concur*
3. *Concur*

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

1. *We will be requesting a census from ESQA identifying those employees that have dependents in any of our benefit plans. We will then research each employee file to make sure that we have supporting documentation (marriage licenses, birth certificates, etc.). We will then reach out to those employees with missing documentation.*
2. *As we go through the process of auditing all of the files, we will remove any dependents from any benefit plan whose eligibility cannot be verified and supported.*
3. *I have reached out to our IT department to see if we could do something similar to what the BOCC has in COIN. This will be done prior to Open Enrollment of each year.*

***TARGET COMPLETION DATE:***

1. *September 30, 2020.*
2. *September 30, 2020*
3. *October 30, 2020*