CLERK & COMPTROLLER
PALM BEACH COUNTY
HUMAN RESOURCES DEPARTMENT
HEALTH & BENEFIT
PLANS ADMINISTRATION

SHARON R. BOCK
Clerk & Comptroller
Palm Beach County

Division of Inspector General

Audit Services Unit

December 20, 2013

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The Honorable Sharon R. Bock, Esq.
Clerk & Comptroller

We conducted an audit of Human Resources health and benefit plans administration.

Our objectives were to evaluate the overall effectiveness and efficiency of the health and medical benefit plans and claims administration processes, determine if existing internal controls adequately mitigate the risks identified, and verify compliance with pertinent laws and regulations as well as established policies.

Our audit was neither designed nor intended to be a detailed study of every process, procedure, transaction or system in each area. Accordingly, the observations and recommendations included in this report are not all-inclusive.

The audit identified various compliance and oversight observations and other opportunities for improvement. Specifically, contracts for health and benefit plan coverage did not consistently comply with the Clerk's contract policy. Enhanced oversight of CIGNA's claims administration, cost containment, and cost recovery performance was needed. Certain medical and benefit plan practices were either not in compliance with laws and regulations or required further research to determine if any changes were appropriate. Opportunities exist to improve controls over information technology security, update policies and procedures, expand management reporting and performance measures, and further segregate benefit administration roles and responsibilities.

We appreciated the cooperation of management and staff during the course of this audit.

Respectfully submitted,

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Executive Summary

An audit of Human Resources health and benefit plans administration was performed by the Clerk & Comptroller's Division of Inspector General. This regularly scheduled audit was included on the annual audit plan.

The Clerk's Office health plan is "grandfathered" under the Patient Protection and Affordable Care Act (PPACA). As a result, the plan is not required to comply with some of the health reform provisions in the PPACA, which helps reduce claim costs. Every year the Clerk's Office reviews plan design features of its health care insurance in order to maximize employee benefits, while minimizing costs.

The objectives were to: evaluate the overall effectiveness and efficiency of the health and medical benefit plans and claims administration processes, determine if existing internal controls adequately mitigate the risks identified, and verify compliance with pertinent laws and regulations as well as established policies.

The Human Resources (HR) Department utilizes several vendors to provide health and benefit plan coverage for the Clerk's office. Review of the underlying contracts identified instances of non-compliance with the Clerk's contract policy as well as opportunities to strengthen contract terms. Enhanced oversight of CIGNA's claims administration, cost containment, and cost recovery performance was needed to reduce the risk of overpayment of member medical claims.

The Clerk's health and benefit plans are directed and guided by various federal and state laws and regulations. The audit identified areas in which current practices were either not in compliance or required further research to determine if any changes were appropriate. In addition, information technology (IT) security controls over system access to PeopleSoft and physical access to employee health and benefit plan information required strengthening. Policies and procedures should be developed or updated. Opportunities exist to expand the reporting and performance measures used to monitor benefits administration functions as well as to further segregate benefit administration roles and responsibilities.

The report contains seven observations and thirteen recommendations.

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Introduction

Overall Conclusion

Our audit of the Human Resources health and benefit plans administration and related processes identified various compliance and oversight observations and other opportunities for improvement.

Contracts for health and benefit plan coverage did not consistently comply with the Clerk's contract policy. Enhanced oversight of CIGNA's claims administration, cost containment, and cost recovery performance was needed to reduce the risk of overpayment of member medical claims. In addition, certain medical and benefit plan practices were either not in compliance with laws and regulations or required further research to determine if any changes were appropriate. Opportunities exist to improve IT security controls and physical access to sensitive information, update policies and procedures, expand management reporting and performance measures, and further segregate benefit administration roles and responsibilities.

Objectives, Scope and Methodology

The Clerk's Audit Services Unit of the Division of Inspector General conducted an audit of health and benefit plans administration within Human Resources.

The objectives were to: evaluate the overall effectiveness and efficiency of the health and benefit plans and claims administration processes, determine if existing internal controls adequately mitigate the risks identified, and verify compliance with pertinent laws and regulations as well as established policies.

More specifically, the scope included benefits administration processes for enrollment of employees and their eligible dependents, continuation coverage for Consolidated Omnibus Budget Reconciliation Act (COBRA) and retiree participants, and self-billing for third-party administrators and insurance providers. The scope also included a limited review of the claims administration and reconciliation processes performed by Human Resources and Clerk's Accounting.

In order to meet these objectives, we conducted interviews and reviewed departmental policies and procedures. We obtained key contracts in place involving health and medical benefits. We identified the pertinent Florida Statutes and other laws and regulations. We performed a risk assessment of the health and benefit plan processes by documenting workflows and activities, identifying key risks, and evaluating the adequacy of the internal control environment to mitigate the risks identified. Limited testing of health and benefit plan rates was performed during the risk assessment. In addition, we performed other procedures that were deemed necessary under the circumstances.

As reliance is placed on various vendors for benefits and claims handling, we selected three key vendors (CIGNA, Ceridian, Standard) and obtained and reviewed the Statement on Standards for Attestation Engagements (SSAE No. 16) prepared for each vendor by their independent auditor. The SSAE No. 16 report provides their auditor's opinion on the suitability of the vendor's design and operating effectiveness of the controls to achieve the related control objectives.

CIGNA is responsible for receiving and processing health claims. Our limited review of claims administration involved documenting the core processes performed by Human Resources and Clerk's Accounting and identifying key risks and improvement opportunities to mitigate the potential impact to the Clerk's office. The scope did not include a review of CIGNA's claims handling responsibilities.

Human Resource Operations and related regulatory compliance was not included in the scope of this audit, as it was the subject of a prior audit report issued August 8, 2012.

Background

Human Resources is responsible for administering the health and benefit plans for approximately 730 Clerk employees, 20 COBRA participants and 60 retirees.

The benefits administration team is responsible for the following key functions:

- overseeing and processing benefit plan enrollments via Employee Self Service through PeopleSoft,
- processing manual changes to group benefit plan enrollments resulting from qualifying events throughout the year,

- handling self-billings for third-party benefit plan administration fees and insurance plan premiums for employee as well as COBRA and retiree participants, and
- designing and managing wellness programs.

The Clerk's health plan is self-insured, thereby avoiding state premium taxes and allowing for a flexible plan design that targets the needs of its employees and avoids unnecessary benefits that would otherwise increase health care costs.

To protect against major loss, the Clerk's Office purchases reinsurance (stop loss insurance) on both a specific and aggregate basis to limit its liability for catastrophic or unpredictable losses. Specific stop loss insurance provides protection on an individual member basis. The Clerk will not pay more than $125,000 in the plan year for any given employee or dependent under this arrangement. Aggregate reinsurance provides protection from an excessive amount of claim expenditures for the entire group for the plan year. The maximum amount the Clerk will pay for health care expenditures varies from plan year to plan year and is based on expected claims costs for the year. The plan also includes 180 days of claims reserves and administrative reserves in the event of catastrophic loss and or plan termination.

For fiscal year ending (FYE) September 30, 2013, budgeted employer and employee internal service fund contributions totaled $7.3 million and $1.0 million, respectively, and budgeted claims distributions totaled $7.6 million.

In prior years, the Clerk has been able to implement premium holidays, providing employees with no premium payments during these periods. For FYE September 30, 2013, actual claims paid totaled $8.0 million.

Wellness programs aim to positively impact the health of employees, thereby decreasing health care-related costs. A program is in place that incents employees to adopt healthy behaviors and take personal responsibility for their health and wellbeing.

The benefits administration team utilizes and interfaces with several automated applications in addition to standard Microsoft Office applications to assist in its work. The applications include Clerk's PeopleSoft, an online CIGNA database, and an online Ceridian database.

The Benefits Administration functional area is led by Jennifer Chripczuk – Benefits Administrator, supported by a Benefits Coordinator and an HR Programs Administrator.

Observations & Recommendations

The audit identified certain policies, procedures and practices that could be improved. The audit was neither designed nor intended to be a detailed study of every relevant system, procedure or transaction. Accordingly, the observations and recommendations presented in this report may not be all-inclusive of areas where improvement may be needed.

1. Health and benefit plans were not in compliance with the Clerk's contract policy.

The Human Resources Department utilizes several vendors to provide health and benefit plan coverage to the Clerk's office. The audit identified instances of non-compliance with the Clerk's contract policy as well as opportunities to strengthen contract terms to minimize any exposures to the Clerk's office, as summarized below.

- A CIGNA Administrative Services Only (ASO) agreement, effective from January 1, 2010 until termination or update, was properly signed and executed though not on file with Clerk's Legal Counsel. CIGNA provided ASO renewal letters in 2012 and 2013 for group health, dental, vision and Flexible Spending Account (FSA) plans to HR management that did not meet Clerk's contract policy. The renewal letters were not approved by the Executive Committee or signed by the Clerk or filed with Clerk's Legal Counsel.

- A CIGNA Performance Guarantee agreement expired on December 31, 2010 and renewal agreements did not exist to require CIGNA to meet specific claim payment performance standards for accuracy and timeliness. The expired agreement states that CIGNA will determine whether performance guarantees are met and that no third party audit results will be used to measure CIGNA's performance. It is not clear if the terms of the expired contract are followed currently. A right to audit clause was not included in the agreement.

- A CIGNA Provider Network Discount Guarantee agreement expired on December 31, 2010 and renewal agreements did not exist to require CIGNA to meet a specific provider network discount performance level. It is not clear if the terms of the expired contract are followed currently. The expired agreement states that CIGNA will determine the service area expected and actual network discounts and that no

third party audit results will be used to measure CIGNA's performance. A right to audit clause was not included in the agreement.

- A Ceridian agreement for Consolidated Omnibus Budget Reconciliation Act (COBRA) benefit billing services expired on December 31, 2010 and renewal letters or agreements did not exist to support the changes made to the annual administrative fee rates.
  - ✓ The agreement did not provide evidence of approval of optional administration of COBRA notifications, Health Insurance Portability and Accountability Act (HIPAA) certificates, and retiree benefit billing services.
  - ✓ The indemnity clause did not protect the Clerk against willful or accidental exposure of confidential personal information. The indemnity clause only covered violations of third-party intellectual rights and bodily injury, with maximum total liability set at the greater of $10,000 or the total amount paid by the Clerk for the defective service causing the damage during the 12 months immediately preceding the damage. Consequential damages such as for medical identity theft were excluded.

- A letter to Gehring Group signed by the Clerk on December 27, 2006 to approve broker services for employee benefit insurances did not satisfy contract policy requirements. The letter did not include contract dates, amount or rates, detailed scope of work, and milestones or service deliverables. The letter exceeded the Clerk's contract policy's five year contract term limitation and did not comply with procurement policy requirements for competitive negotiations and bidding.

- A renewal letter with Standard Insurance was in place, effective January 1, 2013, that included rates for group term life, additional term life, accidental death & dismemberment, dependent term life, short term disability and long term disability. The renewal letter was not executed and signed by the Clerk and was not on file with Clerk's Legal Counsel. Original applications (signed by Clerk Bock) and summary plan descriptions were available.

Recommendations:

A. Ensure that appropriate actions are taken to address the observations noted above and to perform benefit plan contract administration in compliance with Clerk's contract policy requirements for contract terms, approval, execution, renewal and record keeping.

B. Consider strengthening contract terms by including or enhancing the right to audit and indemnity clauses.

Management Responses:

A. As a result of this audit, we have discovered that it is not standard for a carrier, like CIGNA, to provide renewal letters. Instead, the Clerk's office had requested them. Per audit's recommendation, the Clerk's office has requested that the 2014 ASO renewal letter as well as 2014 renewal letters from all other carriers have a signature line added for the Clerk's signature. The request was made on November 19, 2013. Gehring Group will provide the renewal letters to the Clerk's office. Once received, HR will partner with Procurement for the remainder of the signature process.
Target Completion Date: 01/3/14

B. Gehring Group advised that the CIGNA Performance Guarantee was a one-year provision offered when the Clerk initially selected CIGNA to administer the health claims. HR has requested further insight of Gehring Group to understand whether this is standard and whether Cigna would continue to offer the Performance Guarantee if we asked for it in an addendum. Once this recommendation is received, we will respond accordingly. In addition, Gehring Group advised that CIGNA does not allow auditing of its performance guarantee.
Target Completion Date: 01/17/14

C. Gehring Group advised that the CIGNA Provider Network Discount Guarantee was a one-year provision offered when the Clerk initially selected CIGNA to administer the health claims. HR has requested further insight of Gehring Group to understand whether this is standard and whether Cigna would continue to offer the Provider Network Discount Guarantee if we asked for it in an addendum. Once this recommendation is received, we will respond accordingly. Like the Performance Guarantee, CIGNA does not allow audit of its Provider Network Discounts.
Target Completion Date: 01/17/14

D. HR provided the 2012 renewal letter for Ceridian. In reference to the Ceridian agreement not providing evidence of approval of optional administration of COBRA notifications, Health Insurance Portability and Accountability Act (HIPAA) certificates, and retiree benefit billing services, the Gehring Group has provided us insight and COBRA and HIPAA service are covered on pages 15 & 16 of the contract. We did not contract with Ceridian for any additional Optional Services so the contract is accurate. No further action required.
Target Completion Date: Completed

E. HR will request indemnity language from Clerk's Legal Counsel. Gehring Group will provide the indemnity language that is approved for use by the Clerk's Legal Counsel to Ceridian. Gehring Group will work with Ceridian to amend the contract to include that language.
Target Completion Date: 03/1/14

F. In response to the letter to the Gehring Group and areas where it may not satisfy the contract policy, however, the contract policy went into effect on October 1, 2008. We will further review the current contract policy and partner with Procurement to determine whether an RFP will need to be submitted in 2014 for broker services for employee benefit insurances.
Target Completion Date: 02/28/14

G. We obtained copies of the applications that were signed by the Clerk for the STD, LTD and Life Insurance products. Within this industry, the application stands as the contract. We have confirmed that Procurement would refer back to the insuring agency to confirm if the application stood as a contact for our policy purposes. Since Gehring Group has advised the signed applications with the Standard are the contracts, no further action is needed at this time. The renewal dated November 18, 2008 with The Standard was signed by the Clerk. We will further ensure that Clerk's Legal Counsel and the procurement department receive copies of these applications.
Target Completion Date: 01/31/14

2. Oversight of the claims administration and recovery processes and third-party review practices require improvement.

Various best practices for claims administration and third-party review should be considered to monitor the adequacy of CIGNA's claims administration, cost containment, and cost recovery performance. Such practices would help mitigate risks involving potential overpayment of member medical claims.

Specifically, the Clerk's office has not implemented claims administration review processes and procedures to independently reconcile, review and audit the accuracy and timeliness of CIGNA claims administration, including participant eligibility, performance guarantees, provider network discounts, cost recoveries and cost containment. Similarly, such

processes and procedures have not been established for other third-party administrative services, including Ceridian for COBRA and retiree benefit billing services as well as Standard Insurance for group term life, short term disability, and long term disability.

CIGNA conducts routine claim payment quality reviews and audits, with claim overpayments recovered either by CIGNA or a CIGNA third-party recovery vendor. Recovery amounts are credited to member level accounts and to the Clerk's bank account. CIGNA charges a 29% fee taken directly from the claim payment account calculated on net savings resulting from use of the provider network discount and third-party cost recoveries. However, CIGNA performance and provider network discount guarantee agreements expired on December 31, 2010 and have not been renewed. Therefore, CIGNA no longer provides guarantees for performance and provider network discounts. The Gehring Group does not perform a claims administration monitoring function, but may provide research assistance on an individual basis for stop loss issues that may arise.

Our audit identified the following oversight and control practices that the Clerk's office should consider implementing within the claims administration processes.

To mitigate the risk of claim overpayments, management should consider:

- Reconciling recorded CIGNA claims expenditures in the self-insurance fund to detail claims data on reports from CIGNA.
- Reconciling CIGNA claims expenditures to lists of eligible active employees, retirees, COBRA participants to prevent payment to non-eligible individuals.
- Reviewing claim data included in the banking reconciliation packages for timeliness of claim processing.
- Reviewing CIGNA's coordination of benefits to verify claim payment accuracy and cost sharing by other insurance providers.
- Performing periodic audits to verify dependents enrolled in benefit plans are eligible for coverage. Management stated that verifications are performed for dependent children between the ages of 26 to 30 to confirm their continued medical benefit eligibility.

To ensure proper recovery in the event of claim overpayment, management should consider:

- Reviewing CIGNA cost recovery and cost containment practices to verify the accuracy of claim payments and recovery of improper payments.

To ensure that CIGNA is providing any provider discount available, management should consider:

- Verifying that CIGNA provider network discounts are accurately calculated and properly reflected in claim payments.

To ensure accurate processing by third-party providers, management should consider:

- Reconciling premiums received from third-party benefit billing services (currently Ceridian) for retiree and COBRA premiums to CIGNA eligibility lists. This practice would verify premiums are received for all active COBRA and retiree participants and that timely termination of eligibility is processed for non-payment.

Third-party service providers that provide outsourcing functions for other entities engage independent auditors to perform an annual assessment of their internal control environment, referred to as a Statement on Standards for Attestation Engagement (SSAE 16). During our review, we obtained the SSAE 16 reports from the three key service providers (CIGNA, Standard Insurance and Ceridian). The SSAE 16 reports stated that their controls must also be evaluated in conjunction with an assessment of the user's (e.g., Clerk's office) complementary controls to ensure that control objectives were achieved. At least one of these prescribed complementary user (Clerk) controls is included in the above listing of suggested practices.

- We also noted that the SSAE 16 reports for Ceridian and Standard Insurance included an exception indicating that the company failed to timely eliminate access of former employees and contractors to applications and systems upon termination.

The CIGNA Administrative Services Only (ASO) agreement currently restricts the right of the Clerk to perform an independent review of claims administration. The agreement includes a 45-day independent third-party right to audit clause and notification form, but provides CIGNA the right to restrict the scope, objectives, and results of any audit. The ASO also does not provide the right to audit CIGNA provider network discount contracts, third-party cost recovery contracts, and cost recovery results.

Recommendations:

A. Enhance oversight and monitoring of the claims administration processes by considering the implementation of the practices and procedures noted above.

B. Obtain and review the annual SSAE 16 reports and follow up with vendors as needed to obtain assurance that controls are in place.

C. Consider implementing a more robust right-to-audit clause in the CIGNA agreement to strengthen the Clerk's ability to evaluate their practices.

Management Responses:

A. We have requested and received the definition of the cost containment program. Fees are only applicable to certain circumstances. The summary was provided as a scope of the program. No further action required.
Target Completion Date: Completed

B. HR is in the process of identifying if and when an audit of dependents has been completed. However, it has been an ongoing practice to require eligibility for all dependents prior to coverage going into effect. In addition to the ongoing process to ensure that certain dependents remain eligible at the time of open enrollment, we will review options to ensure dependents continued eligibility and seek Executive Committee approval.
Target Completion Date: 05/30/14

C. Benefits billing retiree and COBRA premiums will be reconciled based on actual participation against the premium distribution report. The reports will be checked quarterly to ensure accuracy.
Target Completion Date: 03/28/14

D. To monitor issues that were discovered in the SSAE 16 reports for Ceridian and Standard, we will request the next issue of the SSAE 16 reports to ensure all issues have been resolved and will follow up with vendors or consider a change in vendors as needed.
Target Completion Date: 10/31/14

E. Gehring Group provides aggregate claims monitoring but does not audit individual claims. Claims are monitored on an individual fiscal basis for specific stop loss claims. For 2014, we will obtain quotes for a third-party auditor to audit claims.
Target Completion Date: 04/30/14

F. HR will consider a more robust right-to-audit clause for the CIGNA agreement to strengthen the Clerk's ability to evaluate their practices.
Target Completion Date: 11/1/14

G. We will establish a procedure document for the audit of claims processed through the Standard. At this time, HR receives reports on STD and LTD claims and monitors

payment and HR processes Life claims, but a procedure document does not currently exist.
Target Completion Date: 03/28/14

3. Compliance monitoring with laws and regulations requires improvement.

The Clerk's health and benefit plans are directed and guided by various federal and state laws and regulations. Consistent compliance is critical. The audit identified areas in which current practices were either not in compliance or required further research to determine if any changes were appropriate, as highlighted below.

- The Clerk's office provides certain but not all retiree benefits under the authority of F.S. 112.0801. Initial research by the Clerk's Legal Counsel to our questions raised determined that the Clerk's office is not included in the definition; therefore, this F.S. subsection may not apply to the Clerk's office and provision of the related retiree benefits may not be required. It should be noted that the Clerk's office is included in the definition of F.S. 112.08, which grants the authority to provide benefits to current employees. The following observations will require further research to assess whether any changes to retiree benefit coverage are appropriate.
    - The retiree coverage procedure eliminates surviving spouse and dependent eligibility for continuing coverage upon the death of a retired employee participating in the Clerk's group health insurance plan. The Clerk's office offers COBRA coverage for 36 months and thereafter terminates surviving spouse and dependent eligibility. Florida Attorney General Opinion (AGO) 98-82 provides an opinion based on F.S. 112.0801 that requires offering the same continuing group health insurance coverage (not COBRA) to surviving spouses and dependents as offered to active employees.

    - The retiree coverage procedure may incorrectly require retirees to obtain Medicare Part A and B coverage and require Medicare Part A and B to be the primary health coverage, with the Clerk health plan acting as the secondary health coverage. F.S. 112.0801 states that *"Retirees and their eligible dependents shall be offered the same health and hospitalization insurance coverage as is offered to active employees at a premium cost of no more than the*

premium cost applicable to active employees."

- The Clerk's Employee Handbook (Section 7.4) includes a restriction on retiree eligibility for continuing group health plan coverage that is not consistent with F.S. 112.0801. The Handbook requires six years of employment at the Clerk's office, which may result in improper denial of eligibility for participation in the same group health, dental, and vision plans offered to active employees. The definition of a retiree in F.S. 112.0801(2) does not require six years with a specific FRS employer for eligibility for continued participation in the same group health, dental, vision, and life insurance plans offered to active employees.

- The Standard Insurance LTD certificate of coverage provides an age related LTD benefit period limitation schedule that pays the same monthly amount to each LTD benefit recipient for different periods of time depending on the age of the individual. The benefit period limitation schedule matches a sample schedule published in a Department of Labor (DOL) article and in Equal Employment Opportunity Commission (EEOC) guidance, which would be considered non-discriminatory if documented as justified under the EEOC Equal Cost Rule. However, the certificate of coverage does not provide the justification required of each employer for use of the EEOC Equal Cost Rule exception to the Age Discrimination in Employment Act of 1967 (ADEA). Under an equal cost defense, each employer must provide data that shows preservation of equal cost is achieved through reduction of either the amount of benefit or the benefit period. Age related benefit period limitations should be properly justified in accordance with the EEOC Equal Cost Rule.

Recommendation:

A. Ensure health and benefit plan practices comply with legal requirements for retiree and employee coverage as noted above and are aligned with the Clerk's overall benefit plan strategy. Engage the Clerk's Legal Counsel and Executive Committee as deemed necessary and determine the required actions needed.

Management Responses:

A. We are partnering with Clerk's Legal Counsel and we received initial feedback that the Florida Attorney General Opinion (AGO) 98-82 was provided based on F.S. 112.081. The Clerk's office, as a Public Officer, was not specifically named in that statute. We will provide an update in regard to offering COBRA to a surviving dependent once we

have final feedback from Clerk's Legal Counsel. We are also collecting feedback from other relevant offices.
Target Completion Date: 02/1/14

B. We will update our retiree procedure to correct any inaccuracy as it relates to Medicare.
Target Completion Date: 01/15/14

C. HR is partnering with the Clerk's Legal Counsel to review the retiree eligibility based on FRS as indicated in the procedure document. We are also collecting feedback from other relevant offices.
Target Completion Date: 02/01/14

D. The EEOC would review the documentation for the benefit table schedule if a discrimination claim was made against the Clerk's office. We have requested the actuarial cost justification from The Standard to maintain with our records in the event of an investigation.
Target Completion Date: 02/28/14

4. Logical and physical security controls and practices require improvement.

Information technology (IT) security controls over access to PeopleSoft and physical access to employee health and benefit plan information require strengthening.

- Confidential social security numbers and other sensitive information were included in the sample print screens within the CIGNA self-billing procedures and the Ceridian procedure for adding terminated employees onto benefits billing. Such information should be redacted.

- Unsupervised remote PeopleSoft access was provided to a former employee/consultant to a terminal in the IT Department, which allowed access to confidential personal information. The contract did not include language involving remote access to Clerk systems. The contract included an indemnity clause, but no insurance bond was identified that could properly indemnify the Clerk against potential liability (refer to Section 31, Damages for medical identity theft can exceed $100,000).

- PeopleSoft security permissions were assigned to HR and benefits administration staff for tracking employee health and medical information though these features were not used. Violations of various federal laws and regulations (e.g., EEOC, HIPAA) could occur if medical information is collected without a legitimate business reason.

- Logical security over benefits information within the PeopleSoft Enterprise system was not designed and implemented in the most efficient and effective manner. PeopleSoft security can be established through either static or dynamic role assignments. The Clerk's benefits administration was set up using static assignment. This has resulted in excessive permission lists (3,885 lines of page level security permissions for all HR staff), excessive manual intervention, and a higher risk of human error in assignment of security. Alternatively, PeopleSoft dynamic role assignments can be programmatically assigned to user roles, require less manual work for the PeopleSoft security administrator, are scalable, have a lower risk of human error, and require fewer help desk calls.

Recommendations:

A. Redact social security numbers and other sensitive information from sample print screens within the CIGNA and Ceridian billing procedures.

B. Review access and security profiles. Ensure access rights are granted in accordance with roles and responsibilities and on a need-to-know basis.

C. Evaluate the opportunity to transfer security permissions from a static role to dynamic role assignment, engaging Clerk's IT as needed, to provide a more efficient and effective security maintenance process.

Management Responses:

A. The procedure document will be updated to ensure that all social security numbers are redacted and any other sensitive information is removed.
Target Completion Date: 01/15/14

B. Remote PeopleSoft access was disconnected earlier this year. No further action required.
Target Completion Date: Completed

C. HR will partner with IT in an effort to determine access to sensitive sections from PeopleSoft for unused modules.
Target Completion Date: 03/28/14

D. HR will partner with IT to review security access and profiles in PeopleSoft as well as the method used for role assignment.
Target Completion Date: 03/28/14

5. Policies and procedures should be strengthened and updated.

Various informal desk procedures are currently in place for processing certain tasks though such guidance does not address all key areas or are not sufficiently comprehensive. Policies and procedures should be developed, strengthened or updated to ensure consistent compliance with management directives, departmental objectives, and laws and regulations. Best practices in internal controls indicate written procedures help ensure accuracy and consistency in the quality of work.

Our audit identified the following examples in which policies and procedures could be enhanced.

- Section 7.4 of the Clerk & Comptroller's Employee Handbook is inconsistent with Florida Retirement System (FRS) rules that require FRS contributions based on whether the position is a regularly established position lasting longer than six months rather than length of employment.

- Benefits administration does not provide notification to retirees as required by Section 112.0805 F.S. or as required by the Clerk's Employee Handbook to inform retirees of their eligibility to participate in either the same group insurance plan or self-insurance plan as active employees. The responsibility for billing retirees is outsourced to Ceridian though we could not verify that Ceridian provided the required notification.

- Procedures for processing federal retiree drug subsidy (RDS) applications, reporting, and reconciliations have not been developed. Reliance is placed on the RDS website for guidance.

- Procedures do not provide clear guidance on calculating self-billing premiums for Standard Insurance coverage for group term life (GTL), short term disability (STD) and long term disability (LTD). Documents were obtained from Standard Insurance during the audit to verify the accuracy of the current premium calculations.
    - Specifically, the GTL self-billing report did not display both the current age of the participant and the employees' age as of January 1. Also, the STD self-billing report did not label the premium base as representing the weekly or maximum benefit amount. The LTD self-billing report did not label the premium base as representing the monthly earnings or maximum benefit amount.

- Procedures were not in place to guide the periodic review of self-billing report data to ensure that individual monthly self-billing premium calculations (GTL, STD and LTD) were accurate.

- Differences were noted between rates posted on ClerkNet for LegalShield coverage and rates used for calculations in the July 2013 PeopleSoft self-billing report.

- Procedures need to be updated to reflect the current process for terminating employees' requests for conversion of group term life coverage to individual coverage.

Recommendation:

A. Update written procedures for the gaps highlighted above to ensure Clerk management and staff maintain compliance with laws and regulations, provide a sound internal control environment and ensure an adequate transition of responsibilities when staff turnover occurs.

Management Responses:

A. As a part of the Employee Handbook revisions reviewed this year, HR had already included changes for the FRS information. Those changes already include "regularly established position" information rather than the six month indication. This is among the other handbook changes approved by the Executive Committee and will be implemented in the first full week of January 2014.
Target Completion Date: 01/10/14

B. Per F.S. 112.0805: "Any employer who provides insurance coverage under s. 110.123 or s. 112.0801 shall notify those employees who retire of their eligibility to participate in either the same group insurance plan or self-insurance plan as provided in ss. 110.123 and 112.0801, or the insurance coverage as provided by this law." Ceridian currently provides a letter to retirees notifying them that they are eligible for coverage. A list of benefits they are enrolled in, as well as the cost, is provided on an invoice enclosed with the letter they receive. A sample of this letter was recently obtained and was submitted as evidence of compliance. Also, during the exit interview, a Retiree Premium Summary information sheet is provided to the retirees. Further evaluation is being considered whether our agency is covered by 112.0801.
Target Completion Date: 02/01/14

C. The GTL, LTD and STD procedures have been updated to include the benefit calculations. We will request that the GTL, LTD and STD queries be updated to include the additional components requested.
Target Completion Date: 03/28/14

D. Although payroll reconciliations of GTL, LTD and STD are performed, there is no procedure document to guide the process. A procedure document will be created for the periodic review of the self-billing report data to ensure that the individual monthly self-billing premium calculations are accurate.
Target Completion Date: 03/28/14

E. We will work to resolve the differences noted between rates for LegalShield coverage and rates used for calculations.
Target Completion Date: 01/31/14

F. During the most recent review cycle, a goal was set for the Benefits Coordinator to update all of the current procedures, which is scheduled for completion by March 28, 2014. In addition, we will create procedure documents for undocumented procedures to include functions performed by the Benefits Coordinator and the Benefits Administrator. The goal includes the update for the process for the conversion of GTL upon termination.
Target Completion Date: 6/30/14

6. Opportunities exist to improve management reporting and performance measures.

Opportunities exist to expand the reporting and performance measures used to monitor benefits administration functions and compliance with laws and regulations.

Management reports and performance measures add optimal value when linked to Clerk strategic objectives, operating department objectives, and compliance with laws and policies. Performance measures and reporting that could be considered include:

- Backlog of enrollment adjustments
- Time to correct enrollment errors
- Number of benefit plan participant eligibility verifications completed and pending
- Self-billing accuracy and adjustments
- Employee satisfaction surveys
- Timeliness of required federal and state reports

Due to limited staffing and turnover in benefits administration, management has concentrated on training and development of existing staff.

Recommendations:

A. Establish key performance measures linked to departmental objectives to enable comparison of actual results with desired results.

B. Design and implement management reporting of performance measures to enable optimal decision making over areas such as workload, productivity, timeliness, accuracy and staffing requirements.

Management Response:

A. HR will establish appropriate performance metrics and management reports.
Target Completion Date: 8/29/14

7. Roles and responsibilities require further segregation.

Internal control best practices for segregation of benefits administration duties suggest that no one individual should be responsible for more than one task involving custody of assets, authorization of transactions, recording of transactions, and reconciliation. Maintaining a proper segregation of duties is more difficult given that only two individuals have primary responsibility for the Clerk's office benefits administration. In such cases, expanded management oversight and periodic review can also be considered to enhance the control environment.

The Benefits Coordinator is responsible for processing enrollment changes, performing self-billing reconciliations for CIGNA and performing enrollments in Ceridian for COBRA and retirees. The Benefits Administrator is responsible for receiving premium checks from Ceridian with participant premium reports. Ceridian checks are received directly by the Benefits Administrator so that the premium reports can be redacted prior to delivery of the reports and related checks to Clerk's Accounting for check deposit.

The Benefits Coordinator in coordination with the Benefits Administrator generally handles eligibility and enrollment while the Benefits Administrator handles calculation of administrative fees and premiums for CIGNA, Gehring Group and Ceridian. The Benefits Coordinator handles administrative fees and premiums for Standard and LegalShield. These roles should be segregated to the extent possible.

PeopleSoft system access role assignments do not segregate one or more incompatible duties relating to authorization of enrollment, recording of employee personal enrollment and personal biographical information, and reconciliation of enrollment data for preparation of self-billing invoices for administrative fees and invoices for payment of premiums. This access is currently held by the Benefits Administrator, backup Benefits Administrator, Training & Development Manager, and two HR general operations staff. We recognize that these assignments in part reflect the need to have back-up personnel in place.

These assignments of responsibilities and PeopleSoft system access create risks such as potentially allowing unauthorized enrollment of employees or former employees in benefit programs as well as potentially allowing unauthorized COBRA or retiree group health continuation coverage for ineligible terminated employees and their dependents without collecting premiums.

Recommendation:

A. Review assignments of responsibilities and PeopleSoft access to ensure duties are properly segregated to the extent possible. If not feasible, management may choose to consider expanded management oversight and/or periodic review.

Management Responses:

A. HR will review roles and responsibilities of each member of Benefits to ensure adequate segregation of duties.
   Target Completion Date: 05/30/14

B. HR is also working with Ceridian and Clerk's Accounting to see if Ceridian can send the premium checks to Accounting directly and HR would submit the reports separately.
   Target Completion Date: 02/28/14

C. HR will assess future Benefits staffing needs to ensure appropriate segregation of duties.
   Target Completion Date: 05/30/14