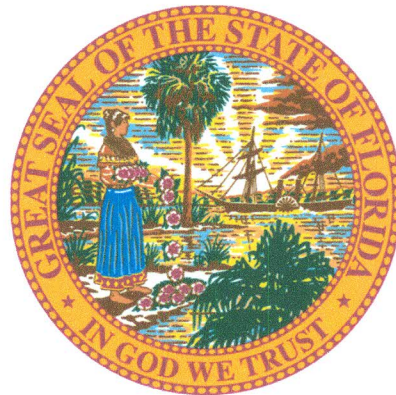


**MARYANNE MORSE  
THE CLERK OF THE CIRCUIT COURT AND COMPTROLLER  
SEMINOLE COUNTY FLORIDA**

**FOLLOW UP REVIEW  
OF  
BOARD OF COUNTY COMMISSIONERS  
HEALTH INSURANCE ELIGIBILITY  
Report No. 091615**



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MARYANNE MORSE  
Clerk of the Circuit Court and Comptroller  
Seminole County, Florida

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***Follow up Review  
Of  
Board of County Commissioners  
Health Insurance Eligibility***

**BACKGROUND**

**History**

On October 14, 2011, the Office of the Clerk of the Circuit Court and Comptroller published Report No. 101411. The original review may be obtained at <http://www.seminoleclerk.org/BoardInfo/audits/default.shtm>. A copy of the report may also be obtained in BCC records.

The initial audit verified the eligibility for 550 employees with over 1,306 dependents. All eligibility records were reviewed up to July 31, 2011. The results of the review were submitted to the Human Resources Division so that they could update the data base and have a “clean data base” going forward. The county would have the benefit of a fully functional system with a clean data base.

**Follow-Up Review – Scope and Methodolgy**

This review was performed to verify if corrective action plans from the initial review (October 2011) were implemented. As part of the follow-up review, we reviewed 547 employee insurance files to confirm that the dependents were eligible for county sponsored health insurance.

We also address the Affordable Care Act Reporting Requirements to determine if the county is in a position for complying with the requirement and the steps required to be implemented.

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The review was performed in two stages as noted below.

**Section A** - The published audit had 6 recommendations that needed to be addressed. In the report that follows we will: (1) address the issue; and, (2) provide the status of the recommendations.

**Section B** - The report will also address the Affordable Care Act Reporting Requirements and the steps needed to be taken to be in compliance with the act.

## *Scope*

The review included the policies and procedures, and, also the employees' files for verification of eligibility. Employee insurance files reviewed were for all active employees thru July 31, 2015.

The following was included in this review:

- The status of previous issues and the status of corrective action plans;
- Department policies and procedures;
- Compliance with federal, state, and county policy; and ,
- Other procedures as required.

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## ***Overall Evaluation***

There are still corrective action plans that have not been completely implemented.

We appreciate that the HR Division has experienced staffing changes and with these changes plans get delayed. With this being said, the health insurance program is still in need of fine-tuning to be compliant with all state, federal, and county guidelines. We will discuss the status of these actions in more detail in Section A of the report.

It appears that the county is not yet ready to comply with the reporting requirements of the Affordable Care Act. The regulation requires employers (with an employer-sponsored self-insured health plans) to complete Form 1095-C, Part III, for any individual (including any full-time employee, non-full time employee, employee family members, and others) who enrolled in the self-insured health plan.

The regulation is going to require the county to identify the name of dependents, their birthdates, social security numbers, and health insurance coverage by month. Performing this process manually will be time consuming. This again supports the need to have the JDE database accurate with the coverage of all dependents.

This issue is discussed in more detail in Section B of this report (see Page 21).

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## Section A – Follow up Audit Issues

### Finding No. 1A

*BCBS records did not agree with County records.*

In the 2011 review, the auditors reviewed the insurance files for all 550 employees which included 1,306 dependents. The JDE (the county's software) records were reconciled to the Blue Cross Blue Shield (BCBS) records to make sure both were in agreement. Each individual county employee with dependents was asked for copies of birth certificates and marriage licenses. Most employees complied with this request and we were able to verify that the dependents were eligible for coverage.

The results of the review were provided to the Benefit Divisions of Human Resources not only for updating their files, but, to remove all dependents not eligible from the program.

Going forward, the County has agreed to ask for marriage certificates and birth certificates for all new hires, and, also request employees to provide birth certificates for any additions to dependent coverage.

For this follow up review, we reconciled the JDE records with the records from BCBS. We found that the records maintained by the County (via JD Edwards) versus the records maintained by BCBS are still not in agreement.

Overall, the total population of employees with dependents is 547. 207 of the 547 (38%) files in JDE were not accurate. Of the 103 new hires from January 1, 2011, there were 66 of 103 (64%) employees were not updated in JDE.

For illustration purposes, the Exhibit A that follows is just a few examples of JDE information regarding dependents not being in sync with the BCBS records. It is provided for illustration purposes because the health insurance data for each employee and dependents needs to be updated in JDE.

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## EXHIBIT A

### EXAMPLES OF JDE DATA NOT IN AGREEMENT WITH BCBS

EMPLOYEE NUMBER	NAME	HIRE DATES
103187	Argeros, James	5/12/2014
102409	Bailes, John	11/9/1992
101398	Ballerino, Robert	10/07/1985
100890	Bartel, Gerald	9/5/1993
103200	Blum, Thomas	8/24/2014
103157	Boggs, Michael	2/3/2014
101838	Bowman, Anthony	10/3/2005
102303	Burke, Shane	12/3/2007
101072	Burris, John S	10/12/1998
101910	Byrd, Paul	12/19/2005
101606	Carter, Martavious	10/4/2004
101051	Chapman, Margo	10/7/2002
100897	Chapman, Mitch	12/11/2000
100898	Coates, Darrell	2/2/1993
102415	Dillon, Shannon	4/21/2003
101418	Eby, Gloria	6/21/2004
103093	Felix, Wayne	9/16/2013
100031	Frato, Gregory	10/28/2002
102419	Gagliano Jr, Michael	1/14/2008
100908	Gay, Anthony	7/9/1990
102497	Gordillo, Rosa	12/15/2008
102090	Gregory, Sharon	9/11/2006
102588	Griggs, Laurie	5/17/2010
100010	Grubbs, Raymond	6/29/1987
102063	Heimerle, Frank	7/31/2006
102428	Hool, Matthew	8/16/1990
100791	Huebner, Richard	1/25/1993
100743	Hirt Jr, Larry	8/10/1987
102280	Johnson, Brenden	7/16/2007
103191	Kelly, Carl J	5/19/2014

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<b>CONTINUED FROM PAGE 5</b>		
<b>EMPLOYEE NUMBER</b>	<b>NAME</b>	<b>HIRE DATES</b>
102542	Kelley, Cindy	8/24/2009
101707	Kelly, Thomas	3/28/2005
101191	Kreinbring, Connie	10/1/1990
102305	LaVino, Jeffrey	11/11/2007
100053	Lung, Meloney	4/20/1998
103149	Lynch, Pamela	2/3/2014
102436	McCall, Jerry	11/9/1992
100927	McGowan, Paul	3/2/1998
101046	Meeks, Lori	10/27/1997
103013	Mihm, Matthew	2/18/2013
101028	Miller, Phillip	2/24/1997
102558	Monahan, James	12/7/2009
100817	Neluna, Jose	2/14/1994
103227	Palmer, Debra	8/4/2014
102689	Parisi, Paul	2/28/2011
100330	Parkhurst, Elizabeth	2/28/2000
102759	Patterson, Kareema	10/17/2011
101760	Perez, Stephanie	6/20/2005
102443	Persing, Phillip	12/3/2007
100997	Ransom, Karen	4/19/1999
101652	Rankin, Scott	1/18/2005
101604	Rappa, Jason	10/4/2004
102564	Raymond, Daniel	12/21/2009
100358	Ribas, Maria	10/07/1997
102615	Roderick, David	7/26/2010
100516	Russell, Patricia	10/06/2014
102316	Sanchez, Michael	10/1/2007
103098	Sanders, Angela	9/30/2013
100101	Sanville, Renee	4/5/1999
101469	Saunders, Jeremy	2/2/2004
102844	Scanlon, Catherine	6/25/2012
101222	Schlier, Maureen	12/9/2002
103117	Scorpio, Carlo	11/18/2013
103113	Shelton, Michelle	11/4/2013
102466	Sherman, Frederick	10/13/2008
100146	Schneider, Arnold	1/14/2002

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<b>CONTINUED FROM PAGE 6</b>		
<b>EMPLOYEE NUMBER</b>	<b>NAME</b>	<b>HIRE DATES</b>
102450	Sims, Kevin	11/2/1995
101908	Singleton, Angela	12/19/2005
100308	Smith Jr, Henry B	5/15/1995
100211	Taylor, Dave	12/20/1999
100814	Thomas, Jeffrey	6/7/1993
103170	Turner, Steven	4/6/2014
101328	Walker, Anthony	12/7/1992
103006	Warehime, Alissa	1/28/2013
103080	Wenrick, Grant	7/15/2013
101034	Wetzel II, Charles	7/24/2000
101603	Wilson III, John F	10/4/2004
100886	Windham, Roger	10/8/2001
103267	Wyatt, Charles	11/17/2014

For whatever reason, the records in JDE are not being maintained as employees health insurance status has changed. Had it not been for the Affordable Care Act regulations this would not have been as significant as an issue. However, the Federal Affordable Care Act now requires accurate and timely reporting of participant coverage.

The penalties are significant for non-compliance. By not having accurate records, the county is subjecting itself to possible fines and penalties from the federal government. We will address this issue in more detail in Section B of this report.

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## **Recommendation**

1. For compliance with Affordable Care Act, update JDE records to be in agreement with BCBS.
2. Submit formal published policies and procedures to the County Manager's Office for approval.
3. Establish a system to follow up and/or verify that changes made have been completed.
4. Continue the Benefits Division's comment log in the individual file to record the qualifying event. This would include the date, changes and include an initial of the HR person who processed the changes.
5. Conduct an internal review within HR to ensure JDE is consistently updated and the policies as stated in No. 2 are enforced.
6. Improve management over-sight and monitoring to make sure county information system is updated, and that policies as above stated in No. 2 are enforced.

## **Management Response**

We concur with the findings in 1A, in response Human Resources has dedicated 2 Human Resources employees to verify and update all outstanding necessary dependent information and documentation, including but not limited to adding information into the JD Edwards system in order to bring everything current. The anticipated completion is 10/1/2015.

Human Resources has continued the comment log electronically utilizing Excel for faster search capabilities. All information previously kept in individual files is still maintained using this method. Method is currently being utilized.

A system for checks and balances will be implemented in which the Benefits Coordinator enters all benefits changes, additions, and deletions and the Human Resources coordinator will then verify the changes are

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updated in the JD Edwards system. Anticipated implementation – 10/1/2015 and will be a continuous process.

The Human Resources manager will monitor and review benefits changes and ensure all methods of updating are current. Anticipated implementation – 9/15/2015 and will be a continuous process.

### **Audit Comment**

We appreciate the response and commitment from the HR Division Manager. There are significant changes being required by the Affordable Care Act and keeping up with the changes ensures compliance with the federal law.

## **Finding No. 2A**

*Some files did not have proper documentation.*

Having the proper documentation to support who is covered and who is not is very important to determine if the county is over or under insuring its employees. Proper documentation includes copies of marriage certificates, birth certificates, adoption and court orders and also verification of eligibility for those dependents over age 26.

As an example, with the average cost of claims for a self-insurance program being between \$350 and \$400 per month, the cost associated with insuring ineligible dependents for say just 12 (potentially ineligible) dependents could be about \$50,000 annually. There are also financial considerations for not complying with the Affordable Care Act. These fines and costs can be considerable.

The initial audit (October 2011) disclosed that there were employees with dependents that did not provide official documentation (i.e. marriage licenses, birth certificates etc.) for eligibility. Also, some dependents over 26 years of age were without verification of eligibility.

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For this follow up review, we reviewed the employees hired from January 1, 2011 through July 20, 2015. For this period, the total employees hired are 390. 103 of 390 (26%) are employees with dependents. 11 of 103 (11%) files had no documentation (i.e. birth certificates and marriage licenses) to support dependent eligibility.

For those dependents over the age of 26, there are certain conditions that need to be met and documented in the benefit files. For this review, we noted 17 dependents that are between the ages of 26 and below 30 years old. There was no documentation in the files to support verification of their eligibility.

In the State of Florida, dependent coverage is available up to the age of 30 if the dependent is unmarried without dependents of their own, a Florida Resident (or a full-time student) and uninsured.

Because of life changes, a process needs to be established that requires employees to update their records. One way to accomplish this is through an annual certification. An annual certification by the employee via an affidavit is suggested, and, a sample is included within the recommendations of this report. (see Exhibit B on page 12)

By maintaining accurate records with the appropriate supporting documentation ensures compliance with county, state, and federal requirements. It also ensures that the county is only paying the medical expenses for qualified dependents.

## **Recommendation**

1. The county should require employees to submit an affidavit each year of the current status of their dependents. This affidavit should be maintained in the employees file. A sample form is included in Exhibit B (page 12).
2. As noted in Recommendation 2 (Finding No.1A), establish policies and procedures to ensure compliance are required. The procedures should include a requirement to include proper documentation is submitted prior to processing.

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3. Improve the filing system to make sure there is an audit trail and documentation.
4. Create a specific section in the employees individual files in which all official documentation are located. This helps in finding the source document and save time.

### **Management Response**

We concur with the findings in 2A, in response Human Resources will consult with the online open enrollment software vendor in an attempt to implement a method of verifying dependent status during each annual online open enrollment process.

Human Resources creates a benefits file for each employee that contains benefits information exclusively. Anticipated completion 10/1/2015 (we should know by 9/15/15 if this is feasible and would implement this open enrollment if so).

The procedure for ensuring required documentation is presented prior to processing benefits elections will be implemented using the new online benefits enrollment software. The software will prompt employees to take dependent information to Human Resources when any benefits election is flagged as having dependent coverage. The online benefits software will “pend” the enrollment, once Human Resources has received all required documentation, they (HR) will be required to remove the pending status and move the request through the benefits process. – Implementation 10/1/2015 and will be continuous process.

Human Resources – Benefits is moving towards scanning Benefits files so they may be kept electronically and specific sections will be created to identify information with more ease. – Anticipated completion 12/2016

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**EXHIBIT B**

**SAMPLE CENSUS FORM**

I, \_\_\_\_\_ (EMPLOYEE'S NAME) \_\_\_\_\_ do hereby acknowledge that the following

Dependents are still eligible for \_\_\_\_\_ year and should be included on my policy with Seminole County Board of County Commissioners.

SPOUSE \_\_\_\_\_ insert name \_\_\_\_\_ Date of Birth \_\_\_\_\_

Child \_\_\_\_\_ insert name \_\_\_\_\_ Date of Birth \_\_\_\_\_

Child \_\_\_\_\_ insert name \_\_\_\_\_ Date of Birth \_\_\_\_\_

Child \_\_\_\_\_ insert name \_\_\_\_\_ Date of Birth \_\_\_\_\_

Child \_\_\_\_\_ insert name \_\_\_\_\_ Date of Birth \_\_\_\_\_

Dated this \_\_\_\_\_ day of \_\_\_\_\_, 20—

\_\_\_\_\_  
Employee's signature.

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## Finding No. 3A

*No documentation to support compliance with Wellness Program.*

The 2015 Seminole County Health Insurance Benefit Plan now mandates that employees are to have an annual physical exam which includes appropriate lab work. The deadline is from April 1, 2014 to March 31, 2015 to complete both the exam and lab work.

There are four Health Outcomes that are measured from the examination and lab work.

Health Outcome	Acceptable Range
Blood Pressure	At or below 140/90
Cholesterol	< 210
Glucose	Non-fasting < 140
Body Mass Index	32

Employees that do not meet 3 of 4 requirements above or choose not to participate are assessed a supplemental \$25 per payroll deduction for the payroll beginning in May 2015 through November 2015.

Employees are also required to sign and submit an affidavit indicating that they are tobacco free. This is to avoid an additional \$25 per pay period surcharge. The program requirements are completely spelled out on page 6 of the 2015 Benefits and Enrollment Guide.

During this review, we found no documentation in the official benefit files that this provision of the health insurance costs is being fully complied with as required.

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The following exhibit illustrates just how many employees are paying the \$25 wellness fee and tobacco user fee.

Of approximately 1,200 employees, only 163 (14%) are having a \$25 per payroll deduction withheld for the wellness program. 76 (6%) are being charged \$25 for tobacco use. These figures seem quite light and need further review and evaluation. Exhibit C is an illustration of the percent of employees that are paying the Wellness Fee and the Tobacco surcharge.

### EXHIBIT C – WELLNESS AND TOBACCO SURCHARGE

A	B	C	D	E	F
NUMBER OF EMPLOYEES AND A PERCENTAGE PAYING THE \$25 PER PAY PERIOD SURCHARGE					
		WELLNESS		TOBACCO	
Business Unit	Total Employees	# Paying Fee	Percent	# Paying Fee	Percent
17/92 REDEVELOPMENT DISTRICT	1	0	0%	0	0%
ADDRESSING	3	0	0%	1	33%
ADMINISTRATION - LEISURE SVCS	5	2	40%	0	0%
ADMINISTRATION	7	1	14%	0	0%
ADULT DRUG COURT 14/15	1	0	0%	0	0%
ANIMAL CONTROL	30	7	23%	5	17%
AUTO TRAFFIC CONTROL SYST	11	3	27%	0	0%
BOCC HEATH INSURANCE	1	0	0%	0	0%
BUDGET SECTION	8	2	25%	0	0%
BUILDING	30	4	13%	6	20%
BUSINESS OFFICE	3	1	33%	1	33%
BUSINESS PROCESS IMPROVEM	1	0	0%	0	0%
CDBG ADMIN (276924)	2	0	0%	0	0%
CDBG ADMIN (66501)	1	0	0%	0	0%
CENTRAL BRANCH	11	5	45%	0	0%
CENTRAL TRSF STATION OP	27	9	33%	1	4%

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**CONTINUED  
FROM PAGE 13**

<b>Business Unit</b>	<b>Total Employees</b>	<b>WELLNESS # Paying Fee</b>	<b>Percent</b>	<b>TOBACCO # Paying Fee</b>	<b>Percent</b>
CIRCUIT COURT	1	0	0%	1	100%
COMMISSION OPERATIONS	10	0	0%	0	0%
COMMUNICATIONS/E911	3	0	0%	0	0%
COMMUNITY ASSISTANCE	13	0	0%	2	15%
COMMUNITY INFORMATION	5	0	0%	0	0%
COMMUNITY SERVICES ADMIN	8	2	25%	1	13%
COMPLIANCE PROGRAM MGMNT	23	5	22%	1	4%
CONSERVATION COMPLIANCE	1	0	0%	0	0%
CONSTRUCTION MGMT PERSON.	1	0	0%	0	0%
COUNTY PROBATION	25	5	20%	2	8%
COUNTYWIDE LS MAINTENANCE	1	0	0%	0	0%
COUNTYWIDE SUPPORT TEAM	23	5	22%	0	0%
DESKTOP SUPP. MAINTENANCE	1	0	0%	0	0%
DEVELOPMENT OPERATIONS	6	1	17%	0	0%
DOCUMENT MANAGEMENT	3	0	0%	0	0%
EAST BRANCH	6	1	17%	1	17%
ECONOMIC DEVELOPMENT	1	0	0%	0	0%
EMERGENCY COMMUNICATIONS	30	12	40%	4	13%
EMERGENCY MANAGEMENT	4	0	0%	0	0%
ENGINEERING	19	3	16%	2	11%
ENGINEERING SUPPORT	11	0	0%	0	0%
ENTERPRISE ADMINISTRATION	10	2	20%	2	20%
EXTENSION SERVICE	2	0	0%	0	0%
FACILITIES MAINT	33	0	0%	3	9%
FIBER CONSTRUCTION MAINT	6	0	0%	0	0%
FIRE INSPECTIONS	6	1	17%	1	17%
FIRE RESCUE - ADMIN	27	5	19%	2	7%
FIRE RESCUE - OPERATIONS	339	0	0%	1	0%
FLEET CONTRACT	2	0	0%	1	50%
GEOG INFO SERVICES	4	0	0%	0	0%
GREENWAYS & NATURAL LANDS	4	1	25%	0	0%
GUARDIAN AD LITEM	1	1	100%	1	100%
HUMAN RESOURCES	7	0	0%	0	0%
INFO SVCS - ART V JUDICIAL	3	2	67%	0	0%
INFO SVCS - ART V PUB DEFEND	1	0	0%	0	0%
INFO SVCS - ART V STATE ATTY	1	0	0%	0	0%

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Business Unit	<i>CONTINUED FROM PAGE 14</i>					
	Total Employees	WELLNESS # Paying Fee	Percent	TOBACCO # Paying Fee	Percent	
LANDFILL OPERATIONS	19	5	26%	2	11%	
LIBRARY SERVICE ADM.	7	2	29%	0	0%	
LONG RANGE PLANNING	18	1	6%	0	0%	
MAILING SERVICES	2	0	0%	0	0%	
MOSQUITO CONTROL	8	3	38%	0	0%	
MSBU SECTION	4	1	25%	0	0%	
NATURAL LANDS	2	0	0%	0	0%	
NETWORK & COMM SERVICES	3	1	33%	1	33%	
NORTH BRANCH	9	3	33%	0	0%	
NORTHWEST BRANCH	6	1	17%	1	17%	
OPS - COUNTY ATTORNEY	11	1	9%	2	18%	
OPS - COUNTY MANAGER	6	0	0%	0	0%	
OPERATIONS - FISCAL SERVICE	2	1	50%	0	0%	
PARKS - SOCCER FACILITY	1	1	100%	1	100%	
PARKS	1	1	100%	0	0%	
PASSIVE PARKS AND TRAILS	6	1	17%	0	0%	
PAY - ALTERNATIVE/YOUTH	6	2	33%	0	0%	
PLANNING/DEVELOPMENT	4	0	0%	0	0%	
PRINTING SERVICES	1	0	0%	0	0%	
PROJ AND BUS PROCESS MGMT	1	1	100%	1	100%	
PROJECT MANAGEMENT - W/S	16	4	25%	1	6%	
PROPERTY MANAGEMENT	1	0	0%	0	0%	
PUBLIC SAFETY	2	1	50%	1	50%	
PURCHASING	13	1	8%	1	8%	
RADIO SUPPORT AND MAINT	10	2	20%	3	30%	
RED BUG LAKE PARK	8	1	13%	1	13%	
ROADS DISTRICT OPERATIONS	53	11	21%	4	8%	
SANLANDO PARK	10	5	50%	0	0%	
SHELTER PLUS CARE 3	1	0	0%	0	0%	
SIGNS AND TRAFFIC SAFETY	7	1	14%	0	0%	
SOCIAL SERVICES - CSBG	1	0	0%	0	0%	
SPORTS AND LEISURE	1	0	0%	0	0%	
SPORTS COMPLEX	1	1	100%	0	0%	
STORMWATER OPERATIONS	16	2	13%	4	25%	
SUPERVISOR OF ELECTIONS	15	0	0%	0	0%	
SYLVAN LAKE PARK	5	1	20%	2	40%	

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	<i>CONTINUED FROM PAGE 15</i>				
<b>Business Unit</b>	<b>Total Employees</b>	<b>WELLNESS # Paying Fee</b>	<b>Percent</b>	<b>TOBACCO # Paying Fee</b>	<b>Percent</b>
TECHNICAL HELP DESK	1	1	100%	0	0%
TEEN COURT	2	1	50%	0	0%
TOURISM ADMINISTRATION	2	0	0%	0	0%
TRAFFIC ENGINEERING	5	1	20%	0	0%
TRAILS	3	1	33%	0	0%
TRAINING	1	0	0%	0	0%
TRANSPORT STUDY/DATA PROC.	3	0	0%	0	0%
VETERANS SERVICES	2	0	0%	0	0%
WAREHOUSE /CUSTOMER SERV	5	0	0%	0	0%
WASTEWATER OPERATIONS	31	7	23%	5	16%
WATER AND SEWER BILLING	11	2	18%	1	9%
WATER OPERATIONS	55	15	27%	6	11%
WATER QUALITY	7	0	0%	0	0%
WEST BRANCH	8	0	0%	0	0%
WORKERS COMPENSATION	3	0	0%	0	0%
YOUTH SERVICES	2	0	0%	0	0%
<b>TOTAL:</b>	<b>1201</b>	<b>163</b>	<b>14%</b>	<b>76</b>	<b>6%</b>
			<b>See Note 1</b>		<b>See Note 2</b>
<b>Note</b>					
<b>1. For the total population of employees</b>					
<b>only 14% are being charged a</b>					
<b>wellness surcharge.</b>					
<b>2. For the total population of employees only 6%</b>					
<b>are being charged a tobacco surcharge.</b>					

There is no way of knowing if the percentages noted above are reasonable or not without verifying the supporting documentation. The program does appear to have some loopholes. For example, the policy offers the employees an alternative to meeting the program requirements. The alternative seems a bit subjective. Specifically, the policy reads:

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*“If you do not meet a health outcome standard set by this program you will have the opportunity to earn the same reward by completing a reasonable alternative standard, which may include a physician recommendation. You must contact Tania Rivera at 5272 or Meloney Lung at 5277 by March 31, 2015 to discuss your reasonable alternative standard.”*

So if an employee doesn't meet the established rules, he or she can submit their own plan to the Benefits Division or Assistant County Manager. The Assistant County Manager and the Benefits Coordinator are given the latitude to make decisions on whether the employee meets the eligibility requirements. There are no written policies that provide the authority discretion, and/or guidelines on who will be exempt from the \$25 surcharge.

And, for those that are not comfortable submitting a plan, they are charged a \$25 per pay period fee according to the rules.

In as much as no personal data is requested that would violate the HIPAA regulations, we are formally requesting the listings of the names only, from Blue Cross and Blue Shield, of all employees that have met the guidelines of the program. We are also requesting the names of the employees who had the requirements waived by the County Manager's Office/HR Division.

We have already requested this verification from the HR Division and they have made the claim that the information could not be provided due to HIPAA regulations.

From an audit perspective, this is a good program if it is consistently applied to all program participants. If the county elects to exempt certain employees and doesn't apply the program consistently then it could be considered discriminatory. Management should correct any inequities immediately or dissolve the program. We are neutral on the merits of the program but do not endorse any program that is administratively cumbersome to follow and/or maybe perceived to be discriminatory.

If the county doesn't deduct as planned, and say there are 100 employees that should have paid the surcharges, the county could be losing around \$35,000 (\$25 x 14 pay periods x 100) per year to cover part of the health insurance

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costs. This is just an example for illustration purposes only of the possible financial impact.

By not complying with the rules established, the county is not properly collecting the fees it has established, and, therefore the additional cost of the insurance is being passed onto the taxpayers.

### **Recommendation**

1. The Office of the Clerk of the Circuit Court and Comptroller is formally requesting the listings (of names only) from Blue Cross and Blue Shield of all those employees that have met the guidelines of the program and exempt from the health insurance surcharge. We are also requesting the names of the employees who had the requirements waived by the County Manager's Office. This needs to be submitted no later than September 4, 2015.
2. Management should establish a written policy which specifically addresses what comprises the reasonable alternative standards (as noted in 2015 Benefits and Enrollment Guide).
3. Send a memorandum to the employees with the guidelines to educate and communicate the above standard policy and procedures.

### **Management Response**

The County's position regarding 3A, the request from the Office of the Clerk of the Circuit Court and Comptroller of the listing of names from Blue Cross Blue Shield of employees that have met the guidelines of the Wellness program, is that HIPAA protects all PHI information and the information requested will infer those not included in the list did not meet the guidelines of the program, which would be PHI.

The County's outside benefits consultant's compliance consultant directly received documentation from employees health care providers for those employees who requested a reasonable alternative standard and the compliance consultant independently made the decision as to what qualified. No County employee was involved in the decision making. The Reasonable Alternative Standard form was developed using verbiage from the Affordable Care Act. Creating a policy that specifically address what

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comprises the reasonable alternative standards is in conflict with the intent of the law which errs in favor of the individual, stating “reasonable alternative standards for wellness programs exist to ensure that all employees, regardless of medical status, have the opportunity to earn a reward for achieving modified health goals”.

### **Audit Comment**

The HR Division is being very cautious with protecting the privacy of its employees. We respect the division’s commitment for ensuring compliance with HIPAA. The Office of the Clerk of the Circuit Court and Comptroller is also committed to protecting the privacy of the employees and will ensure they are protected. There is a requirement, however, to make sure that any additional fees or deductions from employee’s paychecks are properly supported. This is why we have requested the listing of names from HR of those that are entitled to the exemption. This is a reasonable request and one that the County Manager’s Office should support.

There are two issues that need to be addressed. First, the personnel related decisions relating to the premiums assessed need to be auditable. This is to make sure that each employee is treated equitably and there are no discriminatory practices involved.

Based on Exhibit C above, there appears to be some inconsistency on the departments that are being assessed surcharges and ones that are not. In some departments there is no one being assessed the surcharges, while, others have a high percentage paying the fee. This may or may not be accurate. It may be simply that certain departments are communicating to its employees how simple it is to be exempt from paying the fee.

The second issue is that the county is allowing an outside firm to make subjective decisions on what constitutes a reasonable alternative standard. The county has an obligation to spell out the rules in order to lay down the guidelines or framework. We agree with management that the intent of the Affordable Care Act is to provide each individual an opportunity to receive the full amount of the reward or incentive regardless of medical condition.

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Until the records are presented for audit, we are recommending that the county either refund those employees who have been assessed a surcharge or process a surcharge for all employees to be consistent.

It is imperative that the county present to us the requested information so that we can reconcile the premiums. To reiterate, we are not requesting any personal data, just the data (i.e. names only) necessary to assess the correct surcharge.

If management has a suggested alternative procedure that can be used by the auditors to verify the surcharges are proper, please submit for consideration immediately.

## **Section B – Affordable Care Reporting Act**

### **Finding No. 1B**

*Affordable Care Act requires a formal accounting.*

As noted in the background section of this report, the Office of the Clerk of the Circuit Court and Comptroller was extremely interested in the adequacy of the records for employee and dependent care eligibility for the purpose of not only (1) paying the correct health insurance costs, but, also (2) to ensure that the county is in the position of being in full compliance with the federally sponsored Affordable Care Act.

Because the records in JDE are not in agreement with Blue Cross and Blue Shield it is impossible for an accurate reporting. All employers who provide coverage thru an employer sponsored self-insured health plan must complete Form 1095-C, Parts I and III, for any employee who enrolls in the health coverage, whether or not the employee is a full-time employee for any month of the calendar year. If the employee is not a full time employee, the employer must complete only Part II , line 14, by entering code 1G in the “All 12 Months” column.

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For compliance with the Act, the county is going to be required to identify the name of dependents, their birthdates, social security numbers, and health insurance coverage by month. Performing this process manually will be time consuming. Thus; this again supports the need to have the JDE database accurate for coverage.

To put this into perspective, there is approximately 1,200 enrolled employees plus an additional 1,108 dependents. This is an indication of the magnitude of the volume of effort that is required to get the records in a position to comply with the federal requirement.

The penalty for failure to provide a correct payee statement is \$250 for each statement for which the failure occurs, with the total penalty for a calendar year not to exceed \$3,000,000. The penalties amount applies to statements required to be provided after December 31, 2015. Additionally, there are similar penalties for failure to file an informational return to the IRS (Form 1094 C).

By not having accurate records to comply the county is subjecting itself to fines and penalties. Plus, if the insurance reporting information is inaccurate, there is an inconvenience to employees with filing their income tax return

### **Recommendation**

Human Resources should develop a formal plan (with completion dates) for ensuring that the records in JDE and Blue Cross and Blue Shield are accurate and can be used to easily comply with the reporting requirement. The plan should be approved by the County Manager.

### **Management Response**

We concur with the recommendation in 3B, in response, Human Resources will enter all insurance related information in real time. This information will be reviewed at the end of every month against reports from both JD Edwards and Florida Blue in order to ensure accuracy and timeliness of the information. – This will be implemented beginning the end of September 2015, beginning of October 2015, when reports are available and will be a continuous process.

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## **Audit Comment**

The last sentence of the management response above is a bit confusing. It states that: "This will be implemented beginning the end of September 2015, beginning of October 2015, when reports are available and will be a continuous process."

We want to highlight parts of the audit finding is to make sure there is no misunderstanding of what is required:

"For compliance with the Act, the county is going to be required to identify the name of dependents, their birthdates, social security numbers, and health insurance coverage by month. Performing this process manually will be time consuming. Thus; this again supports the need to have the JDE database accurate for coverage."

So there are no misunderstandings, we have underscored what is required above to emphasize that the reporting for health insurance coverage is for month by month for the entire year.

The county has to be ready to furnish the details in form 1095-C to all employees by January 31, 2016. They also need to file a 1094-C Transmittal Form to the IRS no later than February 28, 2016.