

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

**FOLLOW UP REVIEW
OF
JOHNS EASTERN COMPANY INC. CONTRACT
Report No. 061015**



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***Follow up Review
of
Johns Eastern Contract Review
(Report No. 100412)***

BACKGROUND

On October 4th 2012, the Office of the Clerk of the Circuit Court and Comptroller published Report No. 100412. 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 original review had three issues that required management's attention. The issues were:

- Submitted charges did not have sufficient backup documentation;
- Duplicate billings; and,
- Late charges paid as a result of untimely processing.

At the conclusion of the audit, county management met with representatives from Johns Eastern Company and a corrective action plan was agreed to and implemented. The corrective action plan included a refund of all duplicate charges and additional back up was provided to support all of the charges.

It was also determined from this management meeting was that more time was required by the company to do a thorough review of all charges. The company proposed and county management agreed to maintain a deposit in Escrow to ensure that there was sufficient funds in the operating account to process all claims without incurring late fees.

In the report that follows, we reviewed all transactions processed from the date of the review in 2012 to April 2015 to determine if the corrective actions agreed to above have been implemented and are functioning effectively.

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OBJECTIVES

The objectives for this review are two-fold: (1) to determine if corrective action plans agreed to by management have been implemented; and, (2) new claims processed (since the 2012 review) are also in accordance with the terms of the contract and applicable laws and regulations.

Scope and Methodology

The scope of this review included claims processed from January 1, 2013 to April 30, 2015. The total value of claims that we reviewed for this period is \$2.5 million. There were 147 workers' compensation and 41 liability claims paid. We reviewed the following:

- Claims processed and paid for by Seminole County;
- Refunds credited to the county account from initial audit;
- Review of supporting documentation to support payments; and ,
- Other procedures necessary in the circumstances.

Overall Evaluation

In our opinion, the corrective actions plans agreed to by management have been effectively implemented.

However, based on our testing of claims processed for this review, there are additional opportunities for improvements. The following issues require additional management discussion.

1. Johns Eastern is invoicing over and above the negotiated fixed fee; and,
2. Some attorney fees are not allowed per the contract.

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Opportunities for Improvements

1. Contract provides for fixed fee compensation.

The contract renewal dated July 14, 2014, provides a fixed fee schedule for each of the 5 years of the contract.

Per Section 3 Fixed Fee Compensation and Payment

(a) *“COUNTY agrees to compensate CONSULTANT for the professional services called for under this Agreement a Not-to-Exceed amount of: Year 1 – SEVENTY-FIVE THOUSAND AND NO/100 DOLLARS (\$75,000.00), Year 2 – SEVENTY-SIX THOUSAND FIVE HUNDRED AND NO/100 DOLLARS (\$76,500.00), Year 3 – SEVENTY-EIGHT THOUSAND THIRTY AND NO/100 DOLLARS (\$78,030.00), Year 4 – SEVENTY-NINE THOUSAND FIVE HUNDRED NINETY AND 60/100 (\$79,590.60), and Year 5 – EIGHTY-ONE THOUSAND ONE HUNDRED EIGHTY-TWO AND 41/100 DOLLARS (\$81,182.41). CONSULTANT shall perform all work required by the Scope of Services, but in no event shall CONSULTANT be paid more than the negotiated fixed fee amount stated above.”*

Consultant shall perform all work required by the Scope of Services, but in no event shall Consultant be paid more than the negotiated fixed fee amount stated above.

Per the above fee schedule, Johns Eastern Company is only entitled to \$75,000 for Year 1 (October 1, 2014 to September 30, 2015); yet, they have billed and received \$84,491.28 as of April 2015. Thus, an adjustment needs to be made to their account for \$9,491.28. (See Schedule A on page 7)

Also, as a side note to this discussion on fees allowed. Under the old contract that expired on July 28, 2014, Johns Eastern had been billing the county based on a formula of \$5.95 per bill reviewed plus 30% of any medical bills reduced

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based on their review and processing. Under the new contract, Johns Eastern is paid a flat fee of \$75,000 per year to administer the contract. With that being said, Johns Eastern Company is no longer allowed to bill supplemental medical reduction fees.

For example, under the old contract, if a medical provider submitted a bill for \$10,000 and the bill was reduced to \$5,000, then, Johns Eastern would be entitled to \$1,505.95 (30% x \$5,000 + \$5.95 per bill). We don't take exception to this as the terms are clearly stated in the old contract.

Under the new contract, in this example, they would not be allowed to bill the the \$1,505.95 as they are already compensated for this service within the \$75,000 fixed fee compensation.

This is even more concerning when the company remits invoices for duplicate medical provider invoices, or expenses that are clearly not reimbursable medical expenses. We found a couple of examples that the company had billed the county for medical reduction fees of \$3,534.22. This fee of \$3,534.22 is based on Johns Eastern's assessment that they had denied gross medical claims of \$11,522.90. This fee might or might not have been allowed under the old contract, but, definitely not allowed under the new contract. We say this because the company is attempting to pass through a medical reduction fee for not processing duplicate billings or billings with errors from medical providers.

As a side note, it is humorous that Johns Eastern would even consider billing for such a fee as many of the medical bills had already been paid (i.e. duplicate invoices). The checks and balances within its own billing system should have prevented a duplicate bill from being processed. The detail of this is included in Schedule B on page 8.

By not adhering to the terms and conditions of the contract, the county is subject to additional costs.

Recommendation

1. Send memorandum to Johns Eastern to ensure understanding and compliance with the contract; and,

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2. Offset (credit) future Johns Eastern billings by \$13,025.50 (\$9,491.28 + 3,534.22) to recover fees already reimbursed.
3. County staff needs to understand the contract and their responsibilities to make sure it is complied with.

Management Response

No management responses were received from Seminole County government.

2. Some attorney fees are not allowed per the contract.

There are two (2) fees being charged by outside legal counsel that are not in accordance with applicable contracts:

- Fees for travel to Seminole County and to court appearances; and,
- Fees for extensive legal research.

More specifically, the legal services agreement (RFP-601076-11/BJC) with Rissman, Barrett, Hurt, Donahue & McLain, P. A. does not allow fees for travel to Seminole County or to courthouses for appearances.

Per Section 5 (d):

“County shall compensate ATTORNEY for the actual work hours required to perform the services authorized. Actual work hours shall not include compensation for travel time to or from the offices of ATTORNEY to Seminole County or travel time to court appearances.”

This firm is currently invoicing for its travel time; not allowed by contract. See Schedule C on page 9. Total travel costs not allowed by contract are \$3,152.64.

With regards to the second issue noted above (Fees for extensive legal research), the contract has attached to it litigation guidelines that spell out what the attorneys can bill for as it relates to research. Per the Defense Counsel Litigation Guidelines attached to the contract:

“You must obtain prior approval from SEMINOLE COUNTY before conducting any legal research in excess of one hour (2nd last paragraph, page 2). “

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The total charges for legal research without the required pre-approval by Seminole County is \$2,409.30. This is included in Schedule D on page 10. By not complying with the terms of the contract, the county is paying more than required.

Recommendation

1. Send memorandum to Johns Eastern to communicate the legal services contract requirements and incorporate such requirements into written procedures.
2. Offset (credit) future fees by \$5,561.94. See schedule C and D on page 9 and 10.

Management Response

No management responses were received from Seminole County government.

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Schedule A
Unallowed TPA Services Fees

For the Period of October 1, 2014 to April 30, 2015

<u>Check #</u>	<u>Date</u>	<u>Amount</u>	<u>Description</u>
809708	04/20/15	\$ 5,948.06	WC SVC Fees-Med. Bill Reduction
809415	04/13/15	\$18,750.00	Claims Handling Fees-3 rd Qtr
808869	03/30/15	\$ 13.75	WC SVC Fees-Indexing
808565	03/23/15	\$ 3,493.25	WC SVC Fees-Med. Bill Reduction
808231	03/16/15	\$ 95.00	WC SVC Fees-Fieldwork
807054	02/23/15	\$ 3,464.48	WC SVC Fees-Med. Bill Reduction
806769	02/16/15	\$ 95.00	WC SVC Fees-Fieldwork
805885	01/26/15	\$ 5,482.75	WC SVC Fees-Med. Bill Reduction
805358	01/12/15	\$18,750.00	Claims Handling Fees-2 nd Qtr
804925	12/29/14	\$ 95.00	WC SVC Fees-Fieldwork
804683	12/22/14	\$ 4,309.44	WC SVC Fees-Med. Bill Reduction
803536	11/24/14	\$ 400.00	Annual Adhoc User Fee
803536	11/24/14	\$18,750.00	Claims Handling Fees-1 st Qtr
803535	11/24/14	\$ 4,749.55	WC SVC Fees-Med Bill Reduction
803370	11/17/14	\$ 95.00	WC SVC Fees-Fieldwork
Total		\$84,491.28	
Less: Fixed Fees		<u>(\$75,000.00)</u>	
Total Credit Due		<u>\$ 9,491.28</u>	

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Schedule B
Unallowed Medical Bill Reduction Fees

<u>Claim ID#</u>	<u>Name</u>	<u>Check #</u>	<u>Amount</u>	<u>Description</u>
536149	Pahls	61959	\$521.95	Billing Errors
286549	Ryan	61656	\$ 76.55	Previously Paid
289625	Harasti	60218	\$960.36	Previously Paid
317064	Urbanski	61959	\$ 78.98	Previously Paid
548758	O'Brien	60806	\$ 75.13	Previously Paid
550193	Hayden	61404	\$178.31	Previously Paid
563624	Trigg	61959	\$446.35	Previously Paid
568020	Michalowski	63997	\$511.98	Previously Paid
540839	Williams	62289	\$302.05	Not WC Claim
564949	Zombo	60218	\$276.10	Not WC Claim
569371	Thomason	63326	<u>\$106.46</u>	Short Payment
	Total		<u>\$3,534.22</u>	

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Schedule C
Unallowed Fees for Attorney's Travel Time
(Rissman, Barrett, Hurt, Donahue & McLain, P.A.)

<u>Claim ID#</u>	<u>Name</u>	<u>Check #</u>	<u># of Hrs.</u>	<u>Rate</u>	<u>Amount</u>
510386	Acevedo	61332	1.40	\$117.75	\$164.85
510386	Acevedo	59744	0.70	\$117.75	\$ 82.43
519694	Minutello	61641	1.40	\$117.75	\$164.85
519694	Minutello	59856	0.50	\$117.50	\$ 58.75
519694	Minutello	59746	0.70	\$117.75	\$ 82.43
547585	Drozдовska	65935	2.00	\$117.75	\$235.50
547585	Drozдовska	65778	1.00	\$117.75	\$117.75
547585	Drozдовska	63058	1.00	\$117.75	\$117.75
547585	Drozдовska	62814	0.50	\$117.75	\$ 58.88
547585	Drozдовska	61337	0.80	\$117.75	\$ 94.20
547585	Drozдовska	61019	1.00	\$117.75	\$117.75
547585	Drozдовska	60889	0.50	\$151.00	\$ 75.50
547996	Jeffry	65774	1.00	\$118.00	\$118.00
571398	Liszewski	65588	0.90	\$ 78.50	\$ 70.65
571398	Liszewski	65232	1.00	\$118.00	\$118.00
576116	Stevens	62822	1.00	\$157.00	\$157.00
576116	Stevens	62699	0.80	\$157.00	\$125.60
576152	Ruales	64861	0.80	\$157.00	\$125.60
580061	Cadogan	65940	1.00	\$157.00	\$157.00
605026	Williams	64685	1.00	\$117.75	\$117.75
611071	Garfield	65238	1.00	\$113.00	\$113.00
611426	Hendrickson	65233	1.00	\$118.00	\$118.00
533810	Thomas	60537	1.00	\$117.75	\$117.75
533810	Thomas	59395	1.50	\$157.00	\$235.50
533810	Thomas	59079	1.00	\$117.75	\$117.75
571394	Stepp	65374	0.80	\$113.00	\$ 90.40
	Total				<u>\$3,152.64</u>

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Schedule D
List of Legal Research Over an Hour Without Approval

<u>Claim #</u>	<u>Check #</u>	<u># of Hrs.</u>	<u>Rate</u>	<u>Amount</u>	<u>Excess</u>
510386	59855	1.40	\$151.00	\$211.40	\$ 60.40
591010	65381	2.00	\$151.00	\$302.00	\$ 151.00
337085	60219	1.40	\$157.00	\$219.80	\$ 62.80
547585	65778	2.10	\$151.00	\$317.10	\$ 166.10

Total Amount – Rissman, Barrett, Hurt, Donahue & McLain, P.A. \$ 440.30

<u>Claim #</u>	<u>Check #</u>	<u># of Hrs.</u>	<u>Rate</u>	<u>Amount</u>	<u>Excess</u>
193764	60334	2.60	\$110.00	\$286.00	\$ 176.00
193764	59766	2.00	\$110.00	\$220.00	\$ 110.00
193764	59766	3.10	\$110.00	\$341.00	\$ 231.00
193764	59200	2.10	\$110.00	\$231.00	\$ 121.00
193764	59200	1.80	\$110.00	\$198.00	\$ 88.00
550974	62545	2.00	\$110.00	\$220.00	\$ 110.00
538783	61823	4.00	\$110.00	\$440.00	\$ 330.00
538783	61823	3.00	\$110.00	\$330.00	\$ 220.00
538783	61823	1.80	\$110.00	\$198.00	\$ 88.00
538783	61823	2.30	\$110.00	\$253.00	\$ 143.00
538783	62046	1.90	\$110.00	\$209.00	\$ 99.00
538783	62046	2.00	\$110.00	\$220.00	\$ 110.00
538783	62303	2.30	\$110.00	\$253.00	\$ 143.00

Total Amount – Broussard & Cullen, P.A. \$1,969.00

Total Amount of Legal Research in Excess of the Guidelines \$2,409.30

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