

SEMINOLE COUNTY
RISK MANAGEMENT DIVISION OF
RESOURCE MANAGEMENT DEPARTMENT

LIMITED REVIEW OF
JOHNS EASTERN CONTRACT
CLAIMS PROCESSING

REPORT NO. 100412

OCTOBER 2012

Prepared by:
The Office of the
Clerk of the Circuit Court



MARYANNE MORSE
Clerk of the Circuit Court
Seminole County

October 04, 2012

The Honorable Brenda Carey,
Chairman
The Board of County Commissioners
Seminole County, Florida
1101 East First Street
Sanford, FL 32771

Dear Madam Chairman:

I am very pleased to present you with the attached limited review of the Johns Eastern Contract.

Our objective was to determine if: (1) the internal controls over payments are adequate; (2) the company is operating in compliance with laws; and, (3) payments are adequately supported and reviewed.

The review identified approximately \$42,000 in potential over-charges. Some of the over-charges have already been refunded to the county. We have a firm commitment from the company that the other issues in this report will also be addressed.

I would like to acknowledge the assistance of the county staff for their cooperation and assistance throughout the course of this review. The assistance is deeply appreciated. With warmest personal regards, I am

Most cordially,

Maryanne Morse
Clerk of the Circuit Court
Seminole County

cc: Mr. Bob Dallari
Mr. Carlton Henley
Mr. John Horan
Mr. Dick Vanderweide
BCC Records

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**SEMINOLE COUNTY
OFFICE OF THE CLERK OF THE CIRCUIT COURT
LIMITED REVIEW OF
JOHNS EASTERN CONTRACT (RFP-600667-09/BJC)**

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**Limited Review of the
Johns Eastern Contract**

Resource Management Department

PURPOSE

The objective is to determine if the internal controls over payments are adequate, operating in compliance with applicable laws and regulations, and are adequately supported and properly reviewed for payment.

BACKGROUND

On July 28, 2009, Seminole County entered into a renewal contract (RFP-600667-09/BJC) with Johns Eastern Company, Inc to act as a third party administrator for worker's compensation and liability claims for the county's self insurance program.

The scope of the contract covers the insurance claims against the BCC, the Sheriff's Office, the Tax Collector, Property Appraisers Office, the Office of the Clerk of the Circuit Court, and the Supervisor of Elections Office. The company is headquartered in Lakewood Ranch, Florida and has been in business since 1946.

The contract is for 5 years with an option for renewal. The company is required to: (1) use its best judgment in managing claims; provide the necessary financial reports to the State of Florida; and, (3) provide analytical services to ensure that provider costs are legitimate and properly supported before being paid. This is a contractual responsibility of Johns Eastern Company.

For the period October 1, 2009 to September 1, 2012 the company has processed \$5.8 million in Worker's Compensation Claims; and another \$2.4 million in Liability Claims. Fees for this service are approximately \$350k.

Risk Management coordinates not only the contract with Johns Eastern Company but also the claims that must go before the Risk Management Committee and the County Managers Office for final settlement authority.

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SCOPE OF WORK

The scope of this review included claims processed from October 1, 2009 to June 30th, 2012. We reviewed the following:

- Payment processed in County Finance;
- Procedures used by Risk Management Division;
- Review of supporting documentation to support payments; and ,
- Other procedures necessary in the circumstances

The audit was conducted by the Office of the Seminole County Clerk of the Circuit Court

OVERALL EVALUATION

It is our opinion, the internal controls over this contract is inadequate. Payments for insurance claims are sometimes not adequately supported and justified.

Case in point, this limited review recognized a possible \$41,745.10 in potential over-charges to the county. There were three categories of charges that we identified. They were:

- Charges that were not supported with appropriate back up documentation;
- Claims submitted for charges that had already been paid (i.e. duplicate billings); and,
- Late charges as a result of internal processing issues.

Although these issues appear on the surface to be very straightforward and easy to fix, we observed that Johns Eastern staff did not appear to understand the contract with the various law firms and also it seems that there may be some systemic issues internally that Johns Eastern Company needs to address.

A worksheet summarizing these issues is submitted as an attachment (Attachment A) to this report.

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Recommendation

1. A formal written corrective action plan should be submitted for management review and approval.
2. Submit a claim to Johns Eastern for any additional costs incurred by the county in response to the audit.

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**ATTACHMENT A
FOR ILLUSTRATION PURPOSES**

The Office of the Clerk of the Circuit Court
Internal Audit Division

Johns Eastern Company
Schedule of Overcharges to Seminole County

Duplicate Charges	\$21,984.63
Invoices with no backup	\$12,887.98
Invoices with interest charges	\$ 186.90
Other unallowable charges	<u>\$ 5,331.76</u>
TOTAL OVERPAYMENTS	\$41,745.10