

**SEMINOLE COUNTY**

**SPECIAL REVIEW  
OF  
AMERICAN HERITAGE LIFE INSURANCE COMPANY**

**CANCER INSURANCE**

**REPORT NO. 022614**

**FEBRUARY 2014**

**The Office of the Clerk of the Circuit Court and  
Comptroller**

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TABLE OF CONTENTS

**Transmittal letter**

Background .....	1
Scope of Work .....	1
Overall Evaluation .....	2

**Findings and Recommendations**

<b>1. Some employees were billed after terminating.</b>	
Audit Recommendation .....	3
<b>2. Some employees may or may not be officially insured.</b>	
Audit Recommendation .....	4
<b>3. Insurance company billed for employees not in JDE.</b>	
Audit Recommendation .....	5
<b>4. Incorrect billing rate paid.</b>	
Audit Recommendation .....	6

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The Office of the  
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**Seminole County  
Special Review  
Of  
American Heritage Life Insurance Company**

**CANCER INSURANCE**

**BACKGROUND**

During open enrollment all active county employees have the opportunity to purchase CANCER insurance through American Heritage Life Insurance Company. This is considered a group policy for cancer and specified disease insurance. There is coverage offered for the employee and family. The monthly premiums for each are as follows

	<u>Plan 1</u>	<u>Plan 2</u>
• Employee	\$14.98	\$27.65
• Employee and Family	\$25.20	\$47.01

Internal Audit was requested to verify that the premiums charged to the employees were in accordance with the contract and Seminole County was properly billed. As of January 1, 2014, there were 380 employees covered by the plan.

In the report that follows we address the accuracy of the billings.

**SCOPE OF WORK**

All cancer insurance premium billings and JDE financial data for the period October 2012 through January 2014 were subject to review. The review included:

- Payments to American Heritage Life Insurance for the period;
- Records of employees and their respective insurance plans;
- Review of insurance rates per the plan;
- Supporting documentation; and,
- Seminole County policies, procedures, and applicable laws.

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## OVERALL EVALUATION

Although the management controls do require some improvements, it is our opinion that there is substantial compliance with the terms and conditions of the contract. We have furnished our itemized list of exceptions to the Benefits Division of HR and to County Finance for corrective action.

In the report that follows, we recommend that: (1) the over-billings identified in this report be adjusted from the next invoice; (2) establish a written policy to immediately reject all inaccurate insurance company billings to ensure that payments are based on a complete and accurate record; and (3) maintain (on a storage device) a complete copy of monthly JDE records and insurance carrier invoices for audit purposes.

The following findings require management attention:

- Employees were still being billed after terminating employment;
- Some employees may or may not be covered by insurance;
- Some employees were billed but not in JDE; and
- One billed an incorrect rate.

These issues are summarized in the report that follows.

## FINDINGS AND RECOMMENDATIONS

### FINDING NO. 1

#### *Some employees were billed after terminating.*

Below are examples of two former employees that the county is still receiving a bill for insurance even though the two hadn't worked for the county for several months:

- One employee resigned on June 30, 2013; yet was still billed for the months of July through November 2013. As a result, Seminole County had overpaid for 5 months or a total of \$126.00.
- Another employee resigned on July 16, 2013; but, was still billed for the months of August and September 2013 for a total overbilling of \$55.32.

Improperly submitted invoices need to be immediately rejected; and, sent back to the insurance company to correct and then re-submit for payment. This also puts the insurance company on official notice that accurate and complete invoices are required for future payments.

By not requiring a proper invoice there are opportunities for over-billings and poor internal record keeping.

#### **Recommendation**

1. HR should contact insurance carrier and County Finance immediately of all employees terminating.
2. HR and County Finance should reject all invoices from insurance company that are either incomplete and/or inaccurate.
3. HR should monitor that the corrective actions have been completed.
4. Additional management controls should be established at HR to improve accuracy of billing data.

## FINDING NO. 2

### *Some employees may or may not be officially insured.*

Some employees were not on the insurance company billings. This would indicate that the insurance company does not have a record of them; thus, not officially covered by insurance.

Here are a few examples:

- An employee had \$14.98 deducted from his paycheck each period but was not on the insurance company invoice from August 2013 through November 2013; for this period he would have paid \$59.92.
- An employee had \$25.20 deducted for insurance and was not included on the billings from June 2013 through November 2013; for this period he would have paid \$151.20.
- An employee had \$47.02 deducted and was not on the billings from October 2012 to November 2013 for a total of \$658.28.

These are just a few examples that we highlighted for illustration purposes. There are a total of 12 employees that were identified and the total cost of the unbilled insurance for this period is \$2,267.20. Although the county wasn't billed, the county still remitted full payment to the carrier based on the money it collected via payroll deductions.

The administrative controls didn't identify these exceptions during the management review process. By not having adequate management controls there are opportunities for billing irregularities.

### **Recommendation**

1. HR should verify in writing with the insurance company if the employees noted were covered during the period.
2. Process refunds to the employees if in fact there is no record of coverage.
3. HR should provide the County Finance Director with written procedures to ensure employees are accounted for with the insurance carrier.
4. County Finance should continue to validate invoices and notify HR in writing of any exceptions noted.

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### FINDING NO. 3

#### *Insurance company billed for employees not in JDE.*

Employees were billed but were not in the JDE records. More specifically:

- An employee was billed for \$27.65 for 14 months or \$387.10 but was not included in JDE.
- An employee was billed for \$14.98 for 3 months or \$44.94. The same scenario as noted above.

The county did not pay these premiums because there was no record in JDE of these employees having insurance coverage. This information has already been provided to HR for verification of proper coverage. The administrative controls did not identify these issues and therefore were not effective.

#### **Recommendation**

1. Collect the underpayment if the employees noted above have coverage.
2. Establish management controls to ensure that the billings are accurate, complete, and in compliance with policy.

### FINDING NO. 4

#### *Incorrect billing rate paid.*

One employee was billed an incorrect rate. He was billed at \$47.01 for 11 months or \$517.11. This employee should have been billed at \$27.66 for these 11 months or \$304.26. Payroll deductions and remittances to cover the insurance were made for the correct amount of \$304.26. Thus; the insurance company over billed by \$212.06.

The insurance company needs to submit accurate invoices to receive payment. Inaccurate invoices need to be rejected by HR and sent back to the insurance company for correction. By not establishing management controls over the review process there are opportunities for over billings as noted above.

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**Recommendation**

1. The recommendation is the same as the previous findings. Management needs to establish controls to ensure that the errors are identified in a timely manner to prevent billing irregularities.
2. Incorrect insurance company billings need to be rejected and resubmitted prior to payment.