Audit of the Administration of Retiree Services

Report by the
Office of County Comptroller

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Report No. 419
February 2012

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February 7, 2012

Teresa Jacobs, County Mayor
And
Board of County Commissioners

We have conducted an audit of the administration of retiree services. The audit scope was limited to a review of the retiree services provided by the third-party administrator (TPA) for Orange County and other agency retirees included in the County's insurance plan; with the exception of certain contract items and fees remitted to the County which were reviewed for both retiree and COBRA participants. The period audited was January 1, 2007 through December 31, 2009, with certain items reviewed outside of this period for additional assurance as necessary.

We conducted this audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

Responses to our Recommendations for Improvement were received from the Director of Human Resources and are incorporated herein.

We appreciate the cooperation of the personnel of the Human Resources Division during the course of the audit.

Martha O. Haynie, CPA
County Comptroller

c: Ajit Lalchandani, County Administrator
Ricardo Daye, Director, Human Resources
Patrick Peters, Human Resources Administrator

EXECUTIVE SUMMARY

Executive Summary

We have conducted an audit of the administration of retiree services provided by a third-party administrator (TPA). The audit scope was limited to a review of the retiree services provided by the third-party administrator (TPA) for Orange County and other agency retirees included in the County's insurance plan; with the exception of certain contract items and fees remitted to the County which were reviewed for both retiree and COBRA participants. The period audited was January 1, 2007 to December 31, 2009, with some items reviewed outside of this period for additional assurance as necessary. The objectives of the audit were to determine whether:

1) All enrollee data was accurately maintained by the TPA;

2) Retiree payments collected by the TPA were accurate and complied with contractual rates; and,

3) Data reported showing amounts remitted to the County was accurate and complete.

Based on the results of our testing, enrollee data maintained by the TPA was materially accurate, with the exception of enrollees who should have been terminated from the plan because of failure to provide payment in a timely manner. Retired enrollee payments received from the TPA were materially accurate and complied with contractual rates; and data reported showing amounts remitted to the County was materially accurate and complete, with the exception of those payments that were applied to incorrect periods. Specifically, we noted the following:

Late payment procedures utilized by the TPA allowed for the TPA to, independently of the County, decide whether it is appropriate to have an enrollee remain on the plan if payment is not timely received. We noted that for 2008 and 2009 there were 174 payments, totaling $95,332, made more than 60 days after the applicable coverage period and these enrollees remained covered by the plan during the time that they were non-paying. We noted that one enrollee paid over one year late for 11 consecutive periods and had late payments totaling $10,498.

In a review of enrollees identified as terminated from the plan, we noted that 13 percent (14 of 107) did not appear to have their coverage terminated timely to coincide with the last date of payment made. For the 14 enrollees identified, we noted that their recorded coverage in the data from the TPA was shown as terminated between 123 days prior to, and up to 62 days after the coverage date shown paid through in the UHC e-services system

The reporting data submitted by the TPA to the County on a monthly basis was not organized in a manner that made it easy to determine the number of active enrollees. Additionally, based on the documentation provided, we noted that thirteen (16%) of the refunds appeared to be calculated inaccurately based on the prorated coverage end dates.

Thirty-three premium payments were correctly reported in the monthly premiums collected data but were incorrectly allocated to a previous, already paid coverage period.

Twenty-four enrollees had premium payments collected by the TPA that were not reported to the County in the monthly premiums collected data. Therefore, premium payments totaling $12,920 collected by the TPA were not remitted to the County.

Certain services shown in the contract were not performed by the TPA and other services performed by the TPA were not contained within the contract document.

We noted inconsistencies in the data reported and maintained by the TPA. For example, we noted there were social security numbers that were recorded inconsistently, a spouse who was recorded as a member, and a COBRA enrollee recorded as a retiree.

During our review of the contract, we noted that there was not a requirement that all employees of the TPA, with access to the County employees' health information, sign confidentiality agreements.

Management concurred with all the Recommendations for Improvement and steps to implement the recommendations are underway or planned. Responses to each of the Recommendations for Improvement are included herein.

ACTION PLAN

AUDIT OF THE ADMINISTRATION OF RETIREE SERVICES
ACTION PLAN

NO.	RECOMMENDATIONS	MANAGEMENT RESPONSE			IMPLEMENTATION STATUS	
		CONCUR	PARTIALLY CONCUR	DO NOT CONCUR	UNDERWAY	PLANNED
1.	We recommend the County requires the TPA to perform the following:					
A)	Change their late payment procedures to only allow late paying enrollees to remain on the plan with written approval from Orange County;	✓				✓
B)	Execute an amendment to the contract to require documented approval from Orange County for late paying/non-paying enrollees to remain on the plan; and,	✓				✓
C)	Require the TPA to provide sufficient documentation with each invoice to determine the enrollees remaining on the plan without payment or with late payments.	✓				✓
2.	We recommend Orange County requires the TPA:					
A)	Determine amounts that may be owed or due to Orange County and enrollees;	✓			✓	
B)	Provide a report to Orange County with the amounts owed or due; and	✓			✓	
C)	Review their termination of coverage procedures to ensure these are performed timely in the future.	✓				✓
3.	We Recommend the County:					
A)	Requests the TPA improve the invoice billing system so that it provides information that is adequate for the County's use;	✓				✓
B)	Considers including in future contracts that billing support provided is in a format that meets the County's approval; and,	✓				✓

AUDIT OF THE ADMINISTRATION OF RETIREE SERVICES
ACTION PLAN

NO.	RECOMMENDATIONS	MANAGEMENT RESPONSE			IMPLEMENTATION STATUS	
		CONCUR	PARTIALLY CONCUR	DO NOT CONCUR	UNDERWAY	PLANNED
3. C)	Ensures future refunds reported are accurately calculated.	✓				✓
4.	We recommend the County requires the TPA review their procedures and processes to ensure that payments are applied to the correct payment period and are remitted to the County appropriately. Additionally, the County should require the TPA to remit the $12,920 in premium payments collected but not paid and perform a review for other unremitted payments that may not have been identified in the audit and provide the results of the review to the County.	✓			✓	
5.	We recommend the County works with the TPA to perform the following:					
A)	Establish a method of monitoring the contract for performance of services by the vendor;	✓				✓
B)	Ensure relevant services outlined in the contract are being provided and consider whether any adjustment should be made to the contractual rates billed based on actual services performed;	✓				✓
C)	Amend the Contract to include providing services to dependents over the age of 25;	✓			✓	
D)	Create a contacts appendix and ensure it is updated as needed; and,	✓				✓
E)	Establish procedures for partial-month enrollees, and amend the contract to include this process.	✓				✓

AUDIT OF THE ADMINISTRATION OF RETIREE SERVICES
ACTION PLAN

NO.	RECOMMENDATIONS	MANAGEMENT RESPONSE			IMPLEMENTATION STATUS	
		CONCUR	PARTIALLY CONCUR	DO NOT CONCUR	UNDERWAY	PLANNED
6.	We recommend the County works with the TPA to verify and adjust enrollee records as necessary to ensure records are accurate both in the TPA's Systems and in the healthcare provider systems.	✓			✓	
7.	We recommend the County amends the current agreement to require contract employees with access to health information sign a Confidentiality Agreement. Further, this requirement should be included in any future contracts and verification that employees signed the agreements should be performed.	✓				✓

INTRODUCTION

Background

In January 2007, the TPA began providing the health insurance administration services related to retirees and COBRA enrollees of Orange County Government (County) and other County agencies that participate in the County's health insurance plan. In addition, the TPA also provided administration services for the Flexible Spending Plan administered as part of the County health benefits program. Fees were structured on a monthly per enrollee basis with some additional fees including an annual enrollment fee paid to the TPA. The fee amounts charged by the TPA vary based on whether the enrollee was a retiree, in COBRA or a flexible spending enrollee.

The TPA collects premiums due from enrollees in addition to a two percent service charge that is included in the amount billed. The medical premiums collected, less the two percent charge, are remitted to the County. In addition to the two percent service charge collected from retired enrollees, the TPA receives from the County a monthly fee of $3.15 per enrollee and a $15 set-up fee for each new enrollee. In exchange for the fees and service charges collected, the contract requires that the TPA provide the following retiree services:

- Calculating premiums and billing to enrollees;
- Pro-rating monthly premiums according to the effective date of retirement provided by the County;
- Managing the ongoing premium collection process;
- Coordinating with the Florida Retirement System (FRS) for premium payments;
- Providing monthly notice and premium payment information to insurance carriers;
- Generating late notices and termination notices;
- Performing a premium reconciliation;
- Providing customer service for all retiree enrollees;
- Performing an eligibility reconciliation with carriers; and,
- Retaining records.

According to data provided by the TPA, there were 1,124 retirees and dependents in total enrolled throughout the

2008 plan year and 1,093 throughout the 2009 plan year as follows:

Providers	Number of Enrollees *	
	2008	2009
UHC (Medical)	756	733
Standard (Dental)	844	825
Comp Benefits (Vision)	578	556

*** - Enrollees can be enrolled in one or more provider plans.**

The TPA reported collecting $3,142,285 in retiree medical premiums for 2008 and $3,424,565 for 2009 (not including the two percent service charge retained by the TPA). In July of 2008, the retiree monthly premium structure was adjusted from one that was dependent only on the level of coverage (e.g. retiree only, retiree and spouse, retiree and family) to another that was dependent upon the level of coverage and the year that the retiree or spouse became Medicare eligible. This created additional rate tiers that had not previously existed.

Scope, Objectives, and Methodology

The audit scope was limited to a review of the retiree services provided by the third-party administrator (TPA) for Orange County and other agency retirees included in the County's insurance plan; with the exception of certain contract items and fees remitted to the County which were reviewed for both retiree and COBRA participants. The period audited was January 1, 2007 to December 31, 2009, with some items reviewed outside of this period for additional assurance as necessary. The objectives of the audit were to determine whether:

1) All enrollee data was accurately maintained by the TPA;

2) Retiree payments collected by the TPA were accurate and complied with contractual rates; and,

3) Data reported showing amounts remitted to the County were accurate and complete.

To meet the audit objectives our audit methodology included the following:

We reviewed a sample of service fee payments to the TPA for accuracy based on the number of enrollees reported, including partial month enrollees.

A review was performed of a sample of enrollees to confirm their retiree status and eligibility for benefits.

We performed an analysis of the data provided by the TPA to us and in the monthly reports provided to the County to identify late premium payments.

We reviewed the TPA's file of eligible enrollees against their payment data for persons shown with coverage in the file of eligible enrollees, but who did not show any payments made for the corresponding period of coverage within the payment data.

We reconciled the premium amounts reported by the TPA as collected from enrollees to the amounts that were recorded in the County's financial system.

We reviewed the premium payments shown in the monthly reports provided by the TPA for payments recorded as applied to the same coverage period more than once for the enrollee.

The premiums reported collected by the TPA for enrollees were also reviewed against the amounts expected to be charged based on the year the enrollee became Medicare eligible (a factor used for determining the rate charged) and the level of coverage selected by the enrollee.

We identified persons whose coverage appeared to have ended mid-year and then reviewed those persons identified for the timeliness of the termination of their medical coverage.

Overall Evaluation

Based on the results of our testing, enrollee data maintained by the TPA was materially accurate, with the exception of enrollees who should have been terminated from the plan because of failure to provide payment in a timely manner. Retiree payments received from the TPA were materially accurate and complied with contractual rates; and data reported showing amounts remitted to the County was materially accurate and complete, with the exception of those payments that were applied to incorrect periods.

RECOMMENDATIONS FOR IMPROVEMENT

1. Improvements Are Needed for Late Payment Procedures, Reporting and Documentation

As part of our review, we requested that the TPA provide us with the past due procedures that were in place during the audit period to provide a reference for when payments were considered late by the TPA. When the procedure was provided, we were informed it was not established until the first quarter of 2008 and there was no set procedure prior to that time. After reviewing the procedure; we noted that it states, "The [TPA] has a past due procedure in place to collect on past due accounts, but will make exceptions for certain circumstances under the discretion of the [TPA] team or the Group." The wording of these procedures allowed for the TPA to, independently of the County, decide whether it is appropriate to have an enrollee continue to remain active despite non-payment or late payments.

The TPA's late payment procedures indicate a payment is considered timely if it is received before the first business day after the first of the month following the coverage period. The monthly data reported by the TPA does not include the actual date of payment, but does show the applicable coverage period for payments received during the month. Therefore to compensate for the missing payment date information, we considered payments recorded as received two months or more after the coverage period to indicate a late payment being made. In the testing performed for 2008 and 2009, we noted that there were 174 payments (totaling $95,332) made more than 60 days after the applicable coverage period the payment was applied. All of these enrollees remained covered by the plan during the period without payments being made. We noted that one enrollee paid over one year late for 11 consecutive periods and had late payments totaling $10,498.

We were informed by the TPA that enrollees who were allowed to remain on the plan while delinquent with their payments were approved by the County. Therefore, for a selection of the enrollees, we requested documentation from the TPA that they had received approval from the County to keep the enrollees on the plan when they were not making payments. The TPA was did not provide any documentation showing approval from the County for the sample requested.

Further, we noted that non-paying or late paying enrollees are not separately identified in the monthly reports submitted to the County; making it much more difficult for the County to determine late paying or non-paying enrollees

We Recommend the County requires the TPA perform the following:

A) Change their late payment procedures to allow late paying enrollees to remain on the plan only with written approval from Orange County;

B) Execute an amendment to the contract to require documented approval from Orange County for late paying/non-paying enrollees to remain on the plan; and,

C) Require the TPA to provide sufficient documentation with each invoice to determine the enrollees remaining on the plan without payment or with late payments.

Management's Response:

A) Concur and planned. A new provider has been selected and will start on January 1, 2012. During the implementation process with the new vendor, past due procedures will be established that include a defined process to handle late payments via authorization from Orange County for enrollees to remain on the plan.

B) Concur and planned. We are adding language to the contract with the new provider that stipulates the requirement of documentation from Orange County approving late/non paying enrollees to remain on the plan.

C) Concur and planned. We are adding language to the contract with the new provider that requires sufficient documentation with each invoice to determine the enrollees remaining on the plan without payment or with late payments.

2. Termination Procedures Require Improvement

As part of our Audit, we reviewed the timeliness of the TPA's termination of coverage for those enrollees identified with coverage that was terminated in UHC e-services system during the audit period. For our review, we calculated the day coverage should have been terminated based on the prorated amount paid in the last period of coverage. During this testing, we noted that 13 percent (14 of 107) of the applicable enrollees identified did not appear to have a coverage termination date that coincided with the calculated termination date. For the 14 enrollees identified, we noted that their coverage was recorded in the data from the TPA as terminated between 123 days prior to, and up to 62 days after, the coverage date recorded in UHC's e-services system. Eleven of the 14 identified had their coverage shown terminated in e-services 28 days or more prior to the end date of paid coverage calculated from the TPA's records. The lack of timeliness for termination of coverage could cause the County to continue paying claims for enrollees who ended their coverage and stopped making payments, or conversely, the County may not pay claims for enrollees that had paid for coverage during the period.

We Recommend Orange County requires the TPA:

A) Determine amounts that may be owed or due to Orange County and enrollees;

B) Provide a report to Orange County with the amounts owed or due; and,

C) Review their termination of coverage procedures to ensure these are performed timely in the future.

Management's Response:

A) Concur and underway. Request has been submitted to the TPA to provide Orange County with a premium reconciliation that would identify amounts owed or due to Orange County and/or enrollees.

B) Concur and underway. Premium reconciliation request requiring the TPA to provide a report to Orange County that denotes amounts owed or due.

C) Concur and planned. A new provider has been selected; during implementation, termination of coverage procedures will be established to ensure timely processing.

3. Improvements Are Needed to the Monthly Support Provided for Invoice Review

Each month the TPA submits to the County an invoice for amounts due for servicing retiree and COBRA enrollees. The amounts charged are based on the number of active enrollees. To support the invoice, the TPA transmits an Excel spreadsheet showing amounts collected for the month and eligibility information for all enrollees from the start of the contract in January 2007. When reviewing the supporting documentation provided to the Comptroller's Finance and Accounting Department by the TPA, we found it difficult to determine the number of active eligible enrollees as the invoices did not clearly separate active from inactive enrollees. As such, it was difficult to verify the fees charged were correct. After extensive review, we were able to substantiate fees charged were accurate based on the data available.

We also noted that there were amounts shown which appeared to be refunds to enrollees in the monthly information sent. These amounts were not separately shown in the invoice support provided to the County. We reviewed 82 of these identified in calendar year 2008 and 2009 to determine whether the refund appeared reasonable (such as a refund caused when an enrollee pays for a full month of coverage, but cancels coverage prior to the end of the paid coverage period). Based on the documentation reviewed, we noted that 16 percent (13 of the 78 applicable items reviewed) of the refunds did not appear appropriate; based on the calculated prorated coverage end date. Further, in four instances, we were unable to determine whether the refund was appropriate due to inadequate information in the data that the TPA provided to the County in their monthly reports.

Invoices and other documents provided to the County should provide adequate information to verify the accuracy of amounts billed. Support for payments should be adequately structured, to include information that is clearly presented and useful for the verification of the accuracy of amounts charged.

We Recommend the County:

A) Requests the TPA improve the invoice billing system so that it provides information that is adequate for the County's use;

B) Considers including a requirement in future contracts that billing support provided is in a format that meets the County's approval; and,

C) Ensures future refunds reported are accurately calculated.

Management's Response:

Concur and planned. A new provider has been selected; the recommendations will be included in the implementation process to ensure that reports submitted for billing are in Orange County's requested format in addition to requiring separate documentation for refunds that includes calculations.

4. The TPA Should Ensure that Payments Received From Enrollees Are Appropriately Recorded and Reported in the Period Payment Is Received

The TPA collects monthly premium payments from enrollees each month and remits them to the County with a report of the premium payments collected during the prior month and the coverage period the payments were applied. Upon reconciling these monthly reports, we noted some enrollees appeared to have missing or duplicate premium payments. During our review of the TPA's monthly reporting data for calendar years 2008 and 2009, we had the following concerns:

A) Thirty-three premium payments were correctly reported in the monthly premiums collected data but were incorrectly allocated to a previous, already paid coverage period. This misapplication of payments to an earlier coverage period affects whether the enrollee appears to be current in the monthly data submitted to the County.

B) Twenty-four enrollees had premium payments collected by the TPA that were not reported to the County in the monthly premiums collected data. After making inquiries, we were informed these enrollees had made monthly ACH payments. However, these payments were not reported to the County in the current month's premiums collected data because the payments were incorrectly applied to an earlier premium collection period. Therefore, premium payments totaling $12,920 collected by the TPA were not remitted to the County.

Although our testing revealed certain payments not remitted to the County or applied to incorrect coverage periods, the data was not sufficient to ensure we identified all misapplied payments during the contract term. Enrollee payments should be correctly recorded in the month paid and applied to the correct period.

We Recommend the County requires the TPA review their procedures and processes to ensure that payments are applied to the correct premium period and are remitted to the County. Additionally, the County should require the TPA to remit the $12,920 in premium payments collected but not remitted and perform a review for other unremitted payments that may not have been identified in the audit and provide the results of the review to the County.

Management's Response:

Concur and underway. A request for payment of $12,920 has been submitted to the TPA with supporting documentation. The TPA has concurred with this request and has indicated that they will be paying this amount to the County. In addition, as a part of the premium reconciliation, the TPA will provide a review of payment remittances to determine if additional payments are due to Orange County for unremitted payments.

5. The County Should Revise the TPA Contract and Rates Charged to Reflect Services Actually Performed

Although the TPA's compliance with all contract provisions was not included in our audit objectives, we did note the following:

A) An eligibility reconciliation was not performed by the TPA. Eligibility reconciliations help ensure COBRA and retiree enrollees coverage recorded by the various insurance carriers on the plan are accurate. Appendix F, Fees and Services, includes a provision requiring the TPA perform an eligibility reconciliation. However, when we made inquiries with the TPA concerning the performance of the reconciliation, we were informed that one was not performed. Instead, we were told that each month the County is provided with a listing in the invoice support of the enrollees that the TPA shows as currently or formerly eligible.

B) Part 7, Reimbursement Account Services Appendix, of Agreement states: "To the extent necessary, [the TPA] will provide Employer with a form requesting data necessary to complete the Nondiscrimination Tests. [the TPA] will complete the Nondiscrimination Test and provide a report summarizing its interpretations of the results, which is based solely on the information provided by employer and/or information maintained by [the TPA] in accordance with this Service Appendix." During the audit period, we were informed that this testing was not performed by the TPA. According to the County's Human Resources Department, the County is exempt from eligibility testing on retirees; however, it is not exempt from testing for participation in the flexible spending accounts.

C) Due to a change in health insurance laws that occurred after the initial contract was executed, the County requested the TPA to administer insurance coverage to dependents on the County's plan over the age of 25. The TPA did so and includes them with COBRA enrollees for servicing and reporting, charging a fee of $25 per enrollee per month. However, a formal contract amendment stipulating the amount was never prepared and added to the contract by either the TPA or the County.

D) The HIPPA Confidentiality Appendix to the contract, in section 3.7, Disclosure to Employees of the Employer, states: "…the Plan acknowledges and agrees that Business Associate shall only disclose PHI [Personal Health Information] in its possession to the employees who are identified in the Contacts Appendix attached hereto." Additionally, the Administrative Services Agreement, Section 5.7, Notices and Communications, notes, "…Employer further agrees that [the TPA] may communicate confidential, protected, privileged or otherwise sensitive information to Employer through a named contact designated by Employer ("Designated Contact") and identified on the Designated Contact Appendix attached hereto." We attempted to locate this appendix to determine who was authorized to receive and disclose PHI; however, we were unable to locate any copies of the appendix. As such, it possible that confidential information may have been transmitted to unauthorized individuals.

E) When testing billings, we noted that the contract does not specifically state how billing will be performed for partial-month enrollees (those who have coverage beginning or ending mid-month). During discussions with the TPA, we were informed that they only bill for those who are enrolled for a full month. However, we noted partial-month enrollees who were billed at the full monthly rate.

It is best practice, not only for the vendor to provide all services specified in a contract, but the County should ensure the services were received. In addition, key contract terms should be included in the contract or amendments should be prepared.

We Recommend the County works with the TPA to perform the following:

A) Establish a method of monitoring the contract for performance of services by the vendor;

B) Ensure relevant services outlined in the contract are being provided and consider whether any adjustment should be made to the contractual rates billed based on actual services performed;

C) Amend the contract to include providing services to dependents over the age of 25;

D) Create a contacts appendix and ensure it is updated as needed; and,

F) Establish procedures for partial-month enrollees, and amend the contract to include this process.

Management's Response:

A) Concur and planned. A new provider has been selected; HR will add additional contract monitoring procedures as recommended.

B) Concur and planned. A new provider has been selected; HR will add additional contract monitoring procedures as recommended.

C) Concur and underway. The County is in compliance with Florida Statues that require optional coverage for dependents over the age of 25. The billing of premiums for dependents in this category mirrors COBRA coverage at full plan premium plus 2% administrative fee. A new provider has been selected; services for this specific line of coverage will be outlined in the contract with the new provider.

D) Concur and planned. The new vendor contract will include a contacts appendix and will be maintained with updates as needed.

E) Concur and planned. A new provider has been selected; procedures for partial-month enrollees will be established during implementation.

6. Inconsistencies in Data from the TPA Should Be Resolved

We noted that certain information maintained by the TPA and provided for the audit was not consistent with information provided to the County during the term of the agreement. Examples include the following:

- Six persons had different social security numbers recorded in the data maintained by the TP and provided for audit as compared to the data provided to the County.

- One spouse was recorded as the member (i.e. retired employee).

- Three enrollees had retirement dates shown in UHC's E-Services system that either did not correspond to the retirement dates shown in the County's PeopleSoft system or the dates as reported by the former employee's Agency.

- One enrollee recorded with the retirees was actually a COBRA enrollee incorrectly included with the retirees according to the TPA.

Data should be accurately maintained to reduce the potential for miscommunication between the TPA, providers, and the County.

We Recommend the County works with the TPA to verify and adjust retiree records as necessary to ensure records are accurate both in the TPA's Systems and in the healthcare provider systems.

Management's Response:

Concur and underway. Monthly eligibility reconciliations are completed and discrepancies identified are submitted to the TPA for updates/corrections. The new provider will be submitting electronic files to Carriers to reduce errors and inconsistencies in lieu of current manual process that creates a higher level of discrepancies.

7. Outside Companies' Employees With Access to Employee Health Data Should Be Required To Sign Confidentiality Agreements

During our review of the contract, we noted that there was not a requirement that all employees of the TPA that have access to the County employees' health information sign confidentiality agreements. For companies whose employees process confidential information, including social security numbers, confidentiality agreements are generally required to be signed in order to establish limits on how employees use this information. As part of our audit, we made inquiries concerning confidentiality agreements signed by the TPA employees. We were informed that prior to a change in the TPA's ownership in January 2010, the TPA had not required their employees to sign confidentiality agreements. We were informed that since the acquisition, TPA management required all employees to sign confidentiality agreements. Therefore, during the audit period none of the employees of the TPA, who worked with confidential data from the County, agreed to non-disclosure of the information they had been in contact with, putting the security of data provided at risk.

We Recommend the County amends the current agreement to require contract employees with access to health information sign a Confidentiality Agreement. Further, this requirement should be included in any future contracts and verification that employees signed the agreements should be performed.

Management's Response:

Concur and planned. This requirement will be included in the contract and verified that their employees have signed the agreements.