



## OFFICE OF INTERNAL AUDIT

Report to the  
Board of Supervisors

# Human Resources

## Employee Benefits Administration

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**Attachment: Management Response and Action Plan**

## Executive Summary

The Pinal County Office of Internal Audit has completed an audit of Employee Benefits Administration. This audit was included in the Office of Internal Audit's Fiscal Year 2011-2012 Annual Audit Plan, approved by the Pinal County Board of Supervisors. Our audit was planned and conducted in accordance with Generally Accepted Government Auditing Standards. The purpose of our audit was to determine if internal controls over employee benefits administration are adequate.

The Pinal County Board of Supervisors (Board) provides employee health benefits through a partially self-funded program. The Board established a Trust to provide and administer those benefits, using a combination of employee contributions and County funds. The Trustees are appointed by the Board and serve without compensation. The Pinal County Human Resources Department provides certain services, to ensure the Trust accomplishes its mission effectively and efficiently. The Trust Fund budget for 2011 was about \$19 million for all employee benefits, including health, pharmacy, dental, vision, disability and life insurance.

We noted the Human Resources Department staff, and the associated benefit contractors, provided proper analysis of financial information and appropriate presentation of options to the Trustees, in setting premium rates. However, our overall conclusion is that internal controls over employee benefits administration could be improved. We specifically noted:

- The Human Resources Department staff recommended the award of contracts for various benefit services, without complying with internal control requirements in the County Procurement code.
- The Human Resources Department staff has not developed a comprehensive plan to evaluate the quality of services provided by the Third Party Administrator (TPA), entrusted with \$19 million of benefit funds annually.
- In violation of County policy, a Human Resources staff member and a member of County management traveled to and attended a conference paid for by the Third Party Administrator (TPA). These same individuals are responsible for recommending the award of the TPA contract, and for the administration of, the TPA contract.
- Requests for employee leave of absence under the Family Medical Leave Act (FMLA) have not been administered in accordance with the current applicable County policy approved by the Board of Supervisors.

Our specific recommendations for improvements include:

- To ensure compliance with basic internal controls, procurement of contracts for employee benefit services should be performed by the Pinal County Financial Services Department.
- The Pinal County Human Resources Department should develop a quality assurance plan to evaluate the TPA's performance on a regular and recurring basis.

- Verification of dependant eligibility to receive county employee benefits should be performed.
- County policy/policies regarding acceptance of gifts by employees should be reviewed and strengthened.
- The Human Resources Department staff should comply with all County policies currently approved by the Board of Supervisors, until or unless they are formally revised by the Board.

The following report provides additional details of our audit observations and recommendations.

Lori Stripling  
Pinal County Internal Audit Officer

## **Background**

The Pinal County Office of Internal Audit has completed an audit of Employee Benefits Administration. This audit was included in the Office of Internal Audit's Fiscal Year 2011-2012 Annual Audit Plan, approved by the Pinal County Board of Supervisors. Our audit was planned and conducted in accordance with Generally Accepted Government Auditing Standards. The purpose of our audit was to determine if internal controls over employee benefits administration are adequate.

The Pinal County Board of Supervisors (Board) provides employee health benefits through a partially self-funded program. The Board appoints a Board of Trustees to oversee the provision and administration of these benefits. Trustees serve without compensation. Trust fund revenues are provided by direct employee payroll contributions and supplemented by County funds approved by the Board of Supervisors. The Trust Fund budget for 2011 was about \$19 million for all employee benefits, including health, pharmacy, dental, vision, disability and life insurance.

To ensure the Trust accomplishes its mission effectively and efficiently, the Pinal County Human Resources Department provides certain services. The Human Resources Department also reviews employee requests for leaves of absence under the Family Medical Leave Act (FMLA); which requires the County to allow up to twelve (12) weeks of leave to employees for certain family and medical reasons, without job loss.

## **Scope and Methodology**

The purpose of our audit was to determine if internal controls over employee benefits administration are adequate. Our specific objectives were to determine if:

- The Employee Benefits Trust Fund is properly managed and monitored
- Contracts for benefit services are properly awarded
- The Third Party Administrator (TPA) contract is properly administered
- Employee requests for leave under FMLA are properly managed

To accomplish our objectives, we:

- Interviewed appropriate Human Resources and Finance Department management and staff
- Reviewed policies, procedures and other documents related to benefits administration
- Determined compliance with applicable Arizona Revised Statutes (ARS)
- Analyzed FMLA documentation to ensure compliance with County Policy
- Reviewed the decision process in setting premium rates for 2012
- Attended Employee Benefit Trust meetings held during the audit
- Reviewed the TPA contract
- Reviewed fees paid to the TPA, to determine compliance with contract terms
- Performed testing to ensure benefits were not paid for terminated employees, unless COBRA premiums were paid
- Determined if benefit changes were completed only for authorized reasons and were properly documented
- Reviewed a sample of claims to determine compliance with the benefit plan document

- Reviewed a sample of contracts for benefits services, to determine if they were properly awarded

### **Pinal County Performance Management**

The Human Resources Department has two performance measures relating to employee benefits. These are timeliness of processing FMLA requests and centralized storage of sensitive personnel data. As of the time of this audit no performance data had been compiled regarding these two issues; therefore, we did not evaluate the reliability and accuracy of any performance data.

## **SUMMARY OF AUDIT FINDINGS AND RECOMMENDATIONS**

### **Overall Evaluation**

We noted the Human Resources Department staff, and the associated benefit contractors, provided proper analysis of financial information and appropriate presentation of options to the Trustees, in setting premium rates. However, our overall conclusion is that internal controls over employee benefits administration could be improved. We specifically noted:

- The Human Resources Department staff recommended the award of contracts for various benefit services, without complying with internal control requirements in the County Procurement code.
- The Human Resources Department staff has not developed a comprehensive plan to evaluate the quality of services provided by the Third Party Administrator (TPA), entrusted with \$19 million of benefit funds annually.
- In violation of County policy, a Human Resources staff member and a member of County management traveled to and attended a conference paid for by the Third Party Administrator. These same individuals are responsible for recommending the contract award, and administering the TPA contract.
- Requests for employee leave of absence under the Family Medical Leave Act (FMLA) have not been administered in accordance with the current applicable County policy approved by the Board of Supervisors.

Details of our findings are discussed in the audit results section below.

### **Audit Results**

#### **A. Contracting**

Human Resources Management did not comply with the basic internal control requirements of the County Procurement code when recommending the Trust Board award contracts for various benefit services. The formal memorandum of understanding (MOU) between the County and the Trust Board allows the County, at its expense, to provide procurement services to the Trust Board.

Use of the County Finance Department provides an excellent internal control to ensure procurement and contracting are performed according to a set of professionally established approved standards. It also provides reasonable assurance against fraud, waste and abuse. Additionally, County procurement rules promote competition, which generally results in better service at a lower price.

At the September 8, 2011 Benefits Trust Board meeting, we noted the Human Resources Benefits Manager recommended bypass of County procurement policy when awarding the contract for the Employee Assistance Program to the Jorgenson/Brooks Group. Human Resources personnel reported to Trustees that; based on their own research, the prices offered by this vendor were very low and were a great deal for the Trust.

Following the meeting, Internal Audit asked to review Human Resources' contracting file and any and all research they performed that provided the basis for their recommendation to bypass procurement policy and directly award the contract. Human Resources staff stated there was no written documentation to support their recommendation and they had obtained the information verbally.

Internal Audit believes verbally confirming price quotes from vendors is not sufficient to document these procedures and does not assure competitive procurement. We estimate the value of this contract (a base year plus four allowable renewals under county procurement code) is about \$230,000. Under county procurement code, a contract of this amount would most likely have been secured by County Procurement, using a sealed bid process, to assure maximum competition and reduce the risk of fraud, waste and abuse.

Human Resources personnel stated they believe compliance with County Procurement Code is not required because the Trust Board, rather than the County, is contracting for services.

Internal Audit believes the Trust Board cannot be assured they are getting the best services at the lowest cost for the Trust if contracting decisions are based on opinion from County Human Resources staff instead of a competitive bid process. If these services are indeed superior and offered at the best price, this contractor would have been selected using competitive bidding.

This assurance is especially important during these austere times when the County, and its employees, are being asked to pay increasingly higher premiums for benefits.

Internal Audit looked at two other benefits contracts and noted similar circumstances:

- The contract for life insurance; with a five-year value of about \$2.6 million was also awarded without benefit of competition. Human Resources personnel stated the provider was selected in 2008, because they offered lower premiums than the prior vendor did. They also noted this provider had a contract with another government agency; however, no documentation existed to support their claims. Again, without a formal competitive process, there is no assurance that a better contract is not available.
- The Trust Board has contracted with the current broker for, at least, 15 years without benefit of any competition.

Finally we noted, while some County departments such as the Treasurer's Office and Budget are notified by the Human Resources department to attend meetings when their expertise is needed to advise the Trust Board; the County's Finance Department (including the Purchasing Division) has not been notified. In our opinion, bypassing the professional support available from the County Finance Department for procuring Trust contracts is a material internal control weakness that increases the potential for fraud, waste and abuse.

**Recommendations:**

- 1. The Director of Human Resources should ensure all future benefits-related services are procured with assistance from the Pinal County Finance Department's Purchasing Division, in accordance with County Procurement Code.*
- 2. The Director of Human Resources should ensure the Pinal County Finance Department staff is notified of Trust meetings, and their attendance is sought when the meeting agenda includes purchasing/contracting actions.*

**B. Third Party Administrator Contract**

The Human Resources Department has not developed a plan to evaluate the quality of services provided by Ameriben, the Third Party Administrator. Ameriben is entrusted with managing the claims process for the Pinal County Employee Benefit Trust, which has an annual budget of about \$19 million.

Human Resources staff stated they rely primarily on Ameriben to accurately process the claims, and as required of service organizations, the contractor undergoes a "SAS 70" review annually. The purpose of a "SAS 70" review is to ensure an independent third party has examined the controls over the processing of sensitive healthcare information. We concur with management's assertion that this review provides one element of a quality assurance plan.

However, a "SAS 70" review is performed primarily to evaluate the contractor's overall controls. The independent accountant performing a SAS 70 review is engaged by the contractor, in this instance Ameriben. The accountant is reviewing and testing overall controls and processing for Ameriben, and their work is not specific to the Pinal County Employee Benefits Trust, who is only one of Ameriben's clients. We noted the SAS 70 accounting firm reports fifty (50) claims were tested during these procedures; however, there is no way to determine if even one of the fifty (50) samples tested was a claim from a Pinal County employee.

Internal Audit also determined Pinal County Human Resources management recommended the Trust Board approve a review of claims processed by the prior contractor; however this recommendation was not made until after that contract expired.

It is a more efficient use of resources, and more beneficial, to perform an independent review of the contractor's claims processing and other aspects of contractor performance; such as, quality of service provided to employees, in the early stages of the contract term. More timely identification of potential problems allows early correction, and ensures decisions about annual renewals can be made timely and with the knowledge of current contractor performance.

When Internal Audit discussed the possibility of more timely reviews with Human Resources personnel, they stated they believed this would be beneficial, but said they did not have the resources available to perform this activity.

Internal Audit notes that, given the magnitude of this plan, it would appear prudent to review any options available to assemble the necessary county resources to perform these reviews; possibly, by reprioritizing workloads and/or using Trust funds for an external review. We also suggest a policy be developed that includes a requirement to review claims by the end of a TPA's first contract year.

During our testing of claims we noted the following:

- Ameriben self reported claims accuracy of 99%, based on their sampling. We tested a sample of thirty (30) claims and noted four (4) of 30 (13%) claims to providers were not reduced by the employees' \$25 co-pays. Our sample was selected randomly and does not necessarily indicate a higher error rate throughout the claims population; however, it does demonstrate the importance of periodically reviewing claims (either in house or via independent contractor) to identify problems and correct them in a timely manner, during the term of the contract.
- Ameriben did not verify dependent eligibility for most personnel. We reviewed all forty-two (42) benefit changes processed on August 12, 2011. Twenty-three (23) of the 42 (55%) were inadequately documented. Specifically, the Pinal County Employee Benefit Trust plan states (on page 21) eligible dependents only include:
  - Lawful Spouse
  - Unmarried children under the age of 26

The plan further states proof of eligibility, such as a birth certificate or marriage license, must be provided. In our sample, an employee was permitted to add medical coverage for a spouse due to the spouse's job loss. In this case, the employee was required to provide proof of the job loss, but was not required to provide a marriage license proving the dependent was actually his spouse. In a separate case, an employee added coverage for a newborn dependent child and provided a social security card as documentation, rather than a birth certificate documenting the actual parent-child relationship.

Also, we noted family members can be added during open enrollment without providing any proof of relationship, as required by the plan document. Human Resources personnel acknowledged dependent verification is important and could reduce costs, but they again stated they do not have the resources to perform this function.

We noted the TPA contract specifically requires Ameriben to maintain accurate eligibility data within its claims system for enrolled participants, and should, at least, include documented verification of covered members.

A sound quality assurance plan, designed to review contractor performance, such as accuracy of claims processing and verification of plan membership; compliance with the plan documents; and quality of service provided to employees and their families, is essential to ensuring the county

receives appropriate value and management of the \$19 million contributed annually by the county and employees.

**Recommendations:**

- 3. The Director of Human Resources should develop a quality assurance plan for reviewing the third party administrator’s performance. We suggest, at a minimum, reviewing the accuracy of claims processing and quality of services performed. Reviews should be conducted throughout the life of each contract.***
  
- 4. The Director of Human Resources should enforce the plan document’s requirement to prove eligibility of employees’ dependents, to include either a marriage license for a spouse, a birth certificate for a child, or an applicable court document. Since many employees in our plan currently have no such documentation on file, Human Resources will need to conduct a one-time effort for all employees, followed by an annual review for all changes posted during the year and at open enrollment.***

**C. Travel**

In violation of County policy, a Human Resources staff member and a member of County management recently traveled and attended a conference paid for by the Third Party Administrator, Ameriben.

We learned the Third Party Administrator has provided similar travel to other destinations since the contract was awarded two years ago. (See table below)

We also noted the individuals who attended these conferences were responsible for recommending the award, and are responsible for continued administration of the TPA contract.

<b>Dates attended</b>	<b>Destination</b>	<b>County Employees Attending</b>
September 22-25, 2009	Sun Valley, Idaho	HR Director and Asst. Co. Mgr.
March 3-5, 2010	Phoenix, AZ	HR Director and HR Benefits Manager
September 22-24, 2010	Sun Valley, Idaho	HR Benefits Manager and Asst. Co. Mgr.
March 2-4, 2011	Newport Beach, CA	HR Director and HR Benefits Manager
September 27-30, 2011	Sun Valley, Idaho	Asst. Co. Mgr. and HR Benefits Manager

Because the conference provided some training, the staff members believed acceptance of the travel was in accordance with County Policy 3.80, Gifts. However we noted the following:

- Individuals who accepted the travel were involved in the award of contract work to that vendor, and one staff member directly administers payments to the contractor

- The training was sponsored by a vendor who receives over \$400k a year in fees from the County
- The vendor provided the trip free to representatives of their 15 largest clients

The following County Policies were violated:

- **Policy 3.80, Gifts**, states that employees must avoid situations that might lead to conflict, or the appearance of conflict, between self-interest and public duty and specifically mentions travel as a prohibited gift. We noted that if the policy was more specific about prohibited vendor relations, this situation might have been avoided.
- **Policy 1.05, Ethics in County Service**, states that County employees should avoid circumstances that create an appearance of impropriety
- **Policy 3.30, Code of Conduct**, states that employees must avoid situations that might lead to conflict, between self-interest and public duty. This policy further states an employee may not use or attempt to use his or her official position to secure unwarranted privileges
- **Policy 3.35, Conflict of Interest**, states a conflict of interest has occurred when an employee accepts any compensation, favor, or gift...or other items of value in return for influencing, attempting to influence, rewarding, or not rewarding an official action or decision. The policy further states a situation may appear to be a conflict of interest but not meet the technical definition. This appearance of conflict may be just as damaging to the County's reputation as an actual conflict

If County management, or Trustees, believe this training is necessary, travel funds should be provided.

**Recommendations:**

5. *The County Manager should revise County Policy 3.80, Gifts to specifically prohibit the acceptance of travel from a vendor. Travel essential to complete a contract award process, should be exempt.*
6. *The County Manager should disallow further conference trips paid for by the Third Party Administrator or any other vendors.*

**D. Family Medical Leave Act**

*Leave, under the Family Medical Leave Act (FMLA), has not been properly administered* by Human Resources, in accordance with the applicable Board of Supervisors approved policy.

County Policy 7.40, Family and Medical Leave, specifically states the Appointing Authority; generally the Elected Official, Department Head, or their designee, is responsible to approve/disapprove an employee's FMLA leave request. The policy further states if the Appointing Authority determines the health care provider's certification is insufficient to conclude there is a serious health condition,

he/she may either request clarification from the health care provider or, at County expense, receive an additional examination.

Human Resources personnel have developed an internal policy that has not been approved by the Board of Supervisors and does not comply with the County approved policy. The internal policy states, “Beth<sup>1</sup> approves or denies FMLA request.” It also states additional information may be requested.

Additionally, Human Resources personnel stated “The Human Resources benefit manager (Beth) has been in the process of re-writing policy #7.40 to reflect how FMLA is currently being administered,” And verified Human Resources deviated from County approved policy and changed practices one year ago. Since that time, staff has developed written internal procedures that violate county policy, but have not initiated revisions or requested changes to current approved policy through the Board of Supervisors.

Internal Audit reviewed twenty-seven (27) requests for FMLA processed by Human Resources and found:

- Nineteen (19) requests were approved, and Human Resources staff appropriately ensured the approvals were supported by the required medical paperwork.
- Four (4) requests were properly denied, because the individuals had not submitted the required medical certifications.
- Four (4) requests were denied by Human Resources because they determined the condition was not serious. Human Resources, however, did not document a medical basis for denial, request medical clarification, or pay for a second opinion in making these decisions for denial. Since medical certification was provided by the employees’ physicians, these requests should not have been denied.

In one example of FMLA denial by Human Resources, a doctor reported the patient experienced abdominal pain, nausea, and vomiting, and noted the patient would need about nine days to recover. Human Resources denied this request without providing an explanation, other than their opinion the condition was not considered serious.

In another example, a request for intermittent FMLA leave for migraine headaches was approved without question or additional documentation.

Without proper documentation and adherence to current Board of Supervisors approved policy, these decisions appear to be arbitrary and may cause the perception of preferential or inequitable management of employees’ FMLA requests.

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<sup>1</sup> Beth refers to the Human Resources Benefits Manager

Human Resources management explained to audit staff they plan to continue current FMLA practices but would seek Board approval of their unofficial policy revisions.

Regardless of whether Human Resources maintains current practices or follows Board of Supervisors approved policy, which assigns responsibility for FMLA approval to individual department heads and better positions the Human Resources Department to settle FMLA disputes, it is important for Human Resources personnel to document all decisions to ensure any denial of a medical professional's opinion is well supported.

**Recommendations:**

- 7. The Director of Human Resources should direct staff to comply with all Board approved policies, including 7.40, unless an emergency situation exists, requiring deviation.***
- 8. The Director of Human Resources should ensure any denial of FMLA leave is well supported factually and includes why the illness is not considered serious. If the denial contradicts a medical professional's recommendation, the medical professional should be allowed an opportunity to clarify the condition, or the County should provide for a second opinion, as current policy requires.***

**EVALUATION OF MANAGEMENT COMMENTS**

Per standard audit procedures, Human Resources Management was asked to provide management comments for all recommendations. Human Resources management responded they did not agree with recommendations 1, 2 and 3; and they provided reasons for their non-concurrence. It is important to note the County Manager subsequently requested the opportunity to respond separately to report recommendations (See Management Response Matrix). Internal Audit has provided the following evaluation of management's responses to audit recommendations.

**Response to Recommendation #1**

The Human Resources Department (HR) disagreed with our recommendation advising them to use the County Finance Department's Purchasing and Procurement division to acquire benefits services. HR stated (See Management Response Matrix) they could not comply because they have no authority over the PCEBT. Internal Audit believes that, although the PCEBT makes the final decision on approval of a contractor, the administrative work performed to identify potential contractors is performed by County Personnel; and as such, should be performed through the approved County procurement process.

The MOU between the County and PCEBT clearly identifies County Purchasing as the County Department authorized to conduct this function. There are no provisions in this agreement that instruct the HR department to perform this function, as is currently done, and it is not reasonable to conclude the PCEBT would ignore their fiduciary responsibility and direct the HR Department to disregard County policy to perform procurement functions.

Further, allowing HR personnel to perform this function outside the bounds of procurement rules; which promote competition, is a material internal control weakness. This greatly increases the potential for fraud, waste and abuse; and likely increases the cost to the PCEBT.

#### Recommendation #2

Human Resources Management disagreed with our recommendation to directly notify the Finance Department's Procurement division of Benefit Trust Board meetings, when the Board may need their input or expertise deciding financial matters. HR states Trust Board meetings are posted according to Arizona statute; however, we determined HR staff regularly notifies the Treasurer's Office and Budget Department personnel of Trust Board meetings, and we believe including County Purchasing in this process is easily accomplished and would add no additional cost to the County or the Trust.

The Finance Department is the County department primarily responsible for implementing procurement safeguards. Given the material internal control weakness in the current benefits contracts procurement process discussed in our report; Human Resources management's non-concurrence with this recommendation is not reasonable and perpetuates the circumstances that allow the possibility of fraud, waste and abuse.

#### Recommendation #3

Human Resources management disagreed with our recommendation to perform (or contract for services to perform) quality assurance reviews of benefit claims; however, they have agreed to partial implementation, by stating they will discuss the issue with the Trustees. In their response, HR states due to the financial condition of the Trust, the recommended action is unaffordable. It is unfortunate HR management does not understand that *not* performing contractor surveillance likely results in more cost to the Trust, due to the possibility of unidentified inconsistencies with plan documents, as well as potential fraud, waste, and abuse. Further, nothing in the agreement between the County and the Trust precludes County personnel from performing limited random in-house quality assurance reviews, using existing staff resources. Given the approaching change in HR management, it would appear to be an ideal time to revisit HR staff workload and determine if resources could be reallocated to perform this important function.

#### Recommendation #4 and #6

Target dates, as much as one year or more in the future, may indicate an excessive time line for implementation and an unwillingness to provide more immediate resolution of identified issues.

#### Attachment:

#### **Management Response and Action Plan**

**MANAGEMENT RESPONSE AND ACTION PLAN**  
**(COMPLETED BY MANAGEMENT/COMPLETED BY THE COUNTY MANAGER)**

Audit Recommendation	Concur (Yes or No)  (HR response)	Administrative Services/ HR Department's Response and Action Plan	County Manager's Additional Response and Action Plan  Note – The Pinal County Manager requested the opportunity to respond separately to report recommendations	Target Date	Individual(s) Responsible
<p><i>1. The Director of Human Resources should ensure all future benefits-related services are procured with assistance from the Pinal County Finance Department's Purchasing Division, in accordance with County Procurement Code.</i></p>	<p align="center"><b>No</b></p>	<p><b>The Director of Human Resources has no authority over the PCEBT as they are a 'separate lawfully establish legal entity'.</b></p>	<p>Under the terms of the existing MOU, regarding Pinal County Employee Health Benefits dated August 28, 2008, I do not have the authority to implement this recommendation. This issue and others presented in Recommendations #2 and #3 highlight problems resulting from the manner in which the Trust was established and currently operated. Although questionable, the Trust is not currently required to comply with the County's procurement code and associated policies. I will review existing documents and propose necessary changes to the Board of Supervisors, to resolve these issues. If County staff members continue to provide support to the Trust, I recommend they comply with County and/or State procurement policies.</p>	<p align="center">6/30/2012</p>	<p align="center"><b>County Manager</b></p>
<p><i>2. The Director of Human Resources should ensure the Pinal County Finance Department staff is directly notified of Trust Meetings, and their attendance is sought when the meeting agenda includes purchasing and/or contracting actions.</i></p>	<p align="center"><b>No</b></p>	<p><b>All meetings are Open Meetings posted according to Arizona Statutes.</b></p> <p><b>The PCEBT is a 'separate lawfully establish legal entity'.</b></p>			

Audit Recommendation	Concur (Yes or No)  (HR response)	Administrative Services/ HR Department's Response and Action Plan	County Manager's Additional Response and Action Plan  Note – The Pinal County Manager requested the opportunity to respond separately to report recommendations	Target Date	Individual(s) Responsible
<p><b>3.</b> <i>The Director of Human Resources should develop a quality assurance plan for reviewing the third party administrator's performance.</i></p> <p><i>We suggest, at a minimum, reviewing the accuracy of claims processing and quality of services performed. Reviews should be conducted throughout the life of each contract.</i></p>	<p><b>No</b></p>	<p><b>This will be discussed with the Trustees to determine if there is sufficient budget capacity to perform this function. However the Director of Human Resources has no authority over the PCEBT. The current Trust fund balance has been depleted over the past three years. If the balance falls below the Trust IBNR the Trust will effectively be bankrupt. Compliance with this recommendation may result in an expense the Trust cannot afford.</b></p>	<p><b>Assuming County staff will continue to provide administrative support to the Trust; I will discuss this recommendation with the Trustees and determine a proper method for implementing a quality assurance plan, with input from relevant County staff.</b></p>	<p><b>6/30/2012</b></p>	<p><b>County Manager</b></p>

Audit Recommendation	Concur (Yes or No)  (HR response)	Administrative Services/ HR Department's Response and Action Plan	County Manager's Additional Response and Action Plan  Note – The Pinal County Manager requested the opportunity to respond separately to report recommendations	Target Date	Individual(s) Responsible
<p>4. <i>The Director of Human Resources should enforce the plan document's requirement to prove eligibility of employees' dependents, to include either a marriage license for a spouse, a birth certificate for a child, or an applicable court document. Since many employees in our plan currently have no such documentation on file, Human Resources will need to conduct a one-time effort for all employees, followed by an annual review for all changes posted during open enrollment.</i></p>	<p><b>Yes</b></p>	<p><b>This has been discussed, was requested last year and refused due to budget constraints. The Manager of Compensation &amp; Benefits will work with Ameriben and Erin Collins and Associates to provide the cost associated with this is service. Once this figure is identified staff working with the Trust will identify where the funding for this service will come from.</b></p>		<p><b>11/1/2012</b></p>	<p><b>HR Mgr Comp &amp; Benefits</b></p>

Audit Recommendation	Concur (Yes or No)  (HR response)	Administrative Services/ HR Department's Response and Action Plan	County Manager's Additional Response and Action Plan  Note – The Pinal County Manager requested the opportunity to respond separately to report recommendations	Target Date	Individual(s) Responsible
<p><i>5. The County Manager should revise <u>County Policy 3.80 - Gifts</u> to specifically prohibit the acceptance of travel from a vendor, unless the travel is essential to completion of the contract, and if so, should be explicitly stated in the contract.</i></p>	<p><b>Yes</b></p>	<p><b>The County Manager will revise <u>County Policy 3.80-Gifts</u> to address this issue. This travel was to attend an educational conference to keep the staff current with changes in employee benefit law and provides a vehicle for face to face contact with Ameriben to address any concerns regarding Ameriben performance or changes in services.</b></p>	<p>The current gift policy is both inconsistent and overly vague to the extent that it is worthless and unenforceable. As such, I do not believe it is fair to say <u>Policy 3.80 Gifts</u> was violated. I would also argue that <u>Policy 3.30 Code of Conduct</u> is not appropriate to this case. I concur that <u>Policy 1.05 Ethics in County Service</u> and <u>Policy 3.35 Conflict of Interest</u> are appropriate to this case and were both violated in this situation.</p>	<p>2/1/2012</p>	<p><b>County Manager</b></p>
<p><i>6. The County Manager should disallow further conference trips paid for by the Third Party Administrator or any other vendors.</i></p>	<p><b>Yes</b></p>	<p><b>In the future, attendance at these Council meetings will be budgeted and paid for by the Pinal County Human Resources Department or the PCEBT.</b></p>		<p>12/1/2012</p>	<p><b>Human Resources Director</b></p>

Audit Recommendation	Concur (Yes or No)  (HR response)	Administrative Services/ HR Department's Response and Action Plan	County Manager's Additional Response and Action Plan  Note – The Pinal County Manager requested the opportunity to respond separately to report recommendations	Target Date	Individual(s) Responsible
<p>7. <i>The Director of Human Resources should direct staff to comply with all Board approved policies, including 7.40, unless an emergency situation exists, requiring deviation.</i></p>	<p><b>Yes</b></p>	<p><b>Pinal County Human Resources is in the process of revising Pinal County Policy and Procedure 7.40- Family and Medical Leave to comply with revised Federal Laws. The revised policy will be sent out for County wide comment and review. The revisions will encompass all recent statutory changes. Until the revised policy has been approved, the Director of Human Resources will direct staff to comply with the existing policy to the extent that it does not conflict with Federal law.</b></p>		<p><b>2/28/2012</b></p>	<p><b>Human Resources Director</b></p>

Audit Recommendation	Concur (Yes or No) (HR response)	Administrative Services/ HR Department's Response and Action Plan	County Manager's Additional Response and Action Plan Note – The Pinal County Manager requested the opportunity to respond separately to report recommendations	Target Date	Individual(s) Responsible
<p><i>8. The Director of Human Resources should ensure any denial of FMLA leave is well supported factually and includes why the illness is not considered serious. If the denial contradicts a medical professional's recommendation, the medical professional should be allowed an opportunity to clarify the condition and/ or the County should provide for a second opinion, as current policy requires.</i></p>	<p><b>Yes</b></p>	<p><b>HR's Occupational Health Nurse left County employment in 9/30/11. HR is in the process of hiring a replacement. The Occupational Health nurse will provide assistance in evaluating the employee's condition and determining whether clarifying information is needed from the medical professional or if the employee should be sent for a second opinion. When an employee presents a physician's certification supporting a "serious health condition" the employer may only ask for clarification or seek a second opinion as to the nature of the condition.</b></p>		<p><b>2/1/2012</b></p>	<p><b>Human Resources Director</b></p>