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INTERNAL AUDIT DEPARTMENT

Report Number 2015-014

FINAL Follow-Up Report: Audit of Third Party Administrators for Health Benefit and Workers' Compensation Plans

April 22, 2015

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April 22, 2015

MEMORANDUM

TO: David Hankerson, County Manager

FROM: Latona Thomas, CPA, Director

SUBJECT: **FINAL Follow-Up Report** – Audit of Third Party Administrators (TPAs) for Health Benefit and Workers' Compensation Plans

We have completed our first and final follow-up review of the subject report. Our objective was limited to reviewing, as of March 16, 2015, actions taken to implement the six recommendations in our original report dated November 21, 2013. This report should be read in conjunction with the original and does not represent a complete reexamination of the activities. The auditor's role in follow-up reviews is to compile corrective actions taken by the auditee, assess whether those actions are adequate to correct the reported deficiencies, and relay those results to County management.

Effective January 2014, the County's health benefits consultant was to be delegated the responsibility of implementing four recommendations. Of these, three were partially implemented: meeting with TPAs to resolve clarification and interpretation issues regarding the respective plans; tracking rebates and credits due to the County; and monitoring TPA performance guarantees. TPA meetings were held, but no documentation was provided to support outcomes of discussions or any indication the TPAs attested to processing claims in accordance with the approved plans. In addition, we noted that the health benefit consultant services agreement required the consultant to prepare periodic financial and performance reports; however, no specific reference to tracking rebates due or monitoring performance guarantees were included. As such, Human Resources (HR) staff are expected to monitor the consultant's activities as recommended. The fourth recommendation delegated to the consultant, requiring the coordination with TPAs to ensure benefit booklets are distributed in a timely manner, has not been implemented. The contract included a requirement to facilitate a review of benefit booklets, but it did not address ensuring they are distributed in a timely manner.

The two remaining recommendations were the responsibility of HR personnel and have not been implemented. These include developing a written record retention policy for the department and determining the final disposition of outstanding findings (i.e. overpayments) noted during the audit.

We will not perform additional follow-up on the remaining open items. Human Resources management should continue to implement the corrective actions and assumes the risk if not completed.

Should you wish to discuss any aspect of this report, please contact me at extension 2559 or Steven Harper, Auditor-in-Charge, at extension 2557.

Distribution:

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Cobb County Audit Committee
Internal Audit Department File