



COUNTY OF PLACER

OFFICE OF AUDITOR-CONTROLLER

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Lori Walsh, Personnel Director
145 Fulweiler Avenue, Suite 200
Auburn, CA 95603

Re: Personnel Department Review, Phase 2 – Follow-Up Review

Dear Ms. Walsh:

The Internal Audit Division of the Auditor-Controller's Office performed a follow-up review to our prior Phase 2 review of the Personnel Department (Department). The objective of our procedures was to determine how recommendations from our previous review were implemented to strengthen internal controls over the Department's cash handling and benefits billing processes. Our procedures included inquiries of Department personnel along with reviews of supporting documentation relating to the deficiencies in internal controls over cash handling and benefits billing processes and how recommendations were utilized along with actions taken.

The following is a summary of observations and recommendations along with the Department's responses from the previous report dated September 25, 2014, which are then followed by the status of the Department's implementation of our recommendations.

Cash Handling Processes

Cash Deposits

The Department receives checks on a daily basis. However, the Department is not depositing cash daily into the County Treasury per County rules. In addition, checks received are not consistently being secured in a safe location before they are deposited into the County Treasury.

We recommend the Department deposit cash and checks daily into the County Treasury upon receipt. There is also a course of action for the Department Head per County Code if a weekly deposit is preferred. Until cash and checks are deposited, they should be secured in a safe or locked cabinet when unattended with only a few employees that have access.

Personnel Department Response:

The Personnel Department agrees with the importance of cash handling and deposits and to that end had implemented improvements in that area when previously identified and prior to this Phase II departmental

review. While checks are not received by Personnel daily, we agree with the importance of timely deposits and have implemented a procedure to ensure compliance with the County's guidelines. Due to the small volume of checks, Personnel intends to resubmit a request for weekly deposits but until such a request is approved, we will make every effort when in receipt of a check to deposit it the day received.

Regarding cash handling, we recognize that checks were not consistently secured in the past but prior to the Phase II Entrance Conference on April 25th, 2014; Personnel had purchased two locked cash boxes to secure cash and checks. In addition, staffs who handle cash and checks were provided an administrative procedure on April 1st detailing cash handling guidelines for the Personnel office.

Status – Partially Implemented

Although the Department did purchase two locking cash boxes and cash and checks are now being secured until the time of deposit, we determined that the Department continued to make deposits up to seven days after receipt of cash and checks, and the Department had not submitted a request for approval to make weekly deposits. We continue to recommend the Department seek approval to deposit weekly, if necessary, per Placer County Code Section 4.04.060(B), Deposit of Moneys into the County Treasury.

Cross-Training and Desk Procedures

We noted that only one person is responsible for completing cash deposits. During the time the staff was on leave, cash was not being deposited because no other employee was trained to perform that task. In addition, the Department does not have desk procedures to define the steps involved in cash handling.

We recommend the Department cross-train additional staff in completing deposits to ensure they are done accurately and timely. In addition, the Department should establish desk procedures to assist staff in handling cash.

Personnel Department Response:

Personnel concurs with this recommendation. Personnel is allocated one Accounting Technician which has made the cross training of non-accounting staff a challenge. A new Accounting Technician has been hired and the prior incumbent moved to a new assignment within the Personnel Department. The prior incumbent will function as back-up to our one Accounting Technician. In addition, Personnel has been working with the County Executive's Office Accountant-Auditor assigned to our department in the cross training of fiscal staff.

Regarding the establishment of a desk procedure to assist staff in handling of cash, as stated in response above under Cash Deposits, Personnel has in place a cash handling procedure. This procedure will be part of an Accounting Technician manual that we are in the process of developing.

Status – Implemented

The Department's new Accounting Technician performs the functions of the cash deposit process and the previous incumbent to the position now acts as backup to the process. Additionally, the CEO office provides resources when needed.

COBRA Benefits Billing Processes

Lack of Documentation/Tracking of Billing Process

We noted the Department did not have a method to document and track the various stages of the COBRA benefits billing process and ensure those processes were completed. For example, the Department was unable to provide documentation or information as to when PAFs were received, when/if COBRA continuation letters and election forms were sent to qualified beneficiaries, when/if election forms were returned and when/if accounts are set-up with Revenue Services for future billings.

We recommend the Department put a system in place to document and track the dates all PAFs are received, dates COBRA continuation letters and election forms are sent to employees, dates enrollment forms are received from qualified beneficiaries and the dates the accounts with Revenue Services are set-up. The Department should utilize this information to reconcile and verify that all procedures have been completed and within required timeframes.

Personnel Department Response:

While Personnel do utilize a tracking spreadsheet, we concur that there is room for improvement and will develop a procedure and document to ensure regulatory compliance.

Status – Implemented

The Department developed a COBRA Notice Tracking Log to track all necessary date information, which the Department utilizes to reconcile and verify that all procedures have been completed and within required timeframes.

Employee COBRA Notification Letter and Enrollment Forms

Per federal regulations from the Department of Labor, COBRA administrators are to give qualified beneficiaries an election notice which describes their rights to continuation of coverage and steps to make an election. The notice must be provided within 14 days after the administrator is notified of the qualifying event. During our testing of COBRA benefits billing, we noted the Department is not always timely in processing COBRA notification letters and enrollment forms per the guidelines established by the Department of Labor. For the notifications reviewed during our testing, we found, on average, the Department notified qualified beneficiaries within 15 days after they were notified of the qualifying event, but at times took up to 45 days to send some notifications.

We recommend the Department staff ensure they are knowledgeable of the guidelines established by the Department of Labor and should utilize the documentation/tracking system recommended in the observation above, to monitor and ensure all qualified beneficiaries are provided the required election notice within the required notification period.

Personnel Department Response:

Personnel has, and continues, to train new and existing staff as part of its basic business operations and succession planning activities. Our goal is to ensure that staff is knowledgeable of the guidelines established by the Department of Labor and acknowledge that this is an important regulation that must be followed. In

addition, we will work with County departments to encourage timely notification of events which would require COBRA notification.

Status – Implemented

The Department has added links to both the Federal and State COBRA sites to their COBRA processing procedures in an effort to ensure Department staff are knowledgeable of program guidelines established by the Department of Labor. Additionally, the Department uses their newly developed COBRA Notice Tracking Log to track all necessary date information and the Department utilizes the information to monitor and ensure all qualified beneficiaries are provided the required election notice within the required notification period.

Employee Account Set-Up with Revenue Services

Per federal regulations from the Department of Labor, once an employee elects COBRA continuation coverage, they have at least 45 days to remit initial payment. The Department requires qualified beneficiaries electing COBRA continuation coverage to remit the first payment to them at the time the qualified beneficiary submits the required form electing COBRA continuation coverage. Those electing continued coverage are then set-up with Revenue Services for future COBRA continuation coverage billings and collections. During our testing of the set-up process with Revenue Services, we noted the Department is not always timely in setting up the employees' accounts with Revenue Services. On average, it took the Department up to three months to set-up these accounts.

We recommend the Department ensure timeliness in setting up accounts with Revenue Services for collections of any remaining balances owed and future billings for all beneficiaries electing COBRA continuation coverage.

Personnel Department Response:

We concur and will utilize our newly acquired depth of accounting staff to reduce the length of time to set up employee accounts.

Status – Implemented

The Department reviewed their process and determined accounts were being set up timely. The auditor's follow-up testing did not find any continued exceptions with the Department's timeliness in setting up accounts with Revenue Services for collection of remaining balances owed and future billings for all beneficiaries electing COBRA continuation coverage.

Review and Reconciliation of COBRA Benefits Billings

The Department does not require review and approval to be provided at any of the various stages of the COBRA benefits billing processes to ensure accuracy and completeness. During our testing we noted an incomplete election form was sent out to a qualified beneficiary, specifically, the form was missing the qualified beneficiary's signature and date lines, and the election form was returned without a signature or date.

We recommend the Department incorporate review and approval procedures into the various stages of the COBRA benefits billing processes to ensure all billings are accurately and properly processed.

Personnel Department Response:

We concur and will develop a procedure consistent with this recommendation.

Status – Implemented

The Department has implemented weekly reviews of the COBRA Tracking Log by the Senior Administrative Services Officer, to ensure compliance with the notification/processing requirements as well as the accuracy of calculations of required initial payments, remaining balances owed and future billings for all beneficiaries electing COBRA continuation coverage.

Cross-Training and Desk Procedures

We noted there is an absence of written desk procedures and a lack of cross-training of COBRA benefits billing duties such as calculation of balance owed and setting up employee accounts with Revenue Services. During the time the staff was on leave, certain portions of the COBRA benefits billing process were not being performed.

We recommend the Department cross-train additional staff in completing the COBRA benefits billing processes to ensure the procedures are done accurately and timely. In addition, the Department should establish desk procedures to assist staff in all aspects of the COBRA benefits billing processes.

Personnel Department Response:

We concur and will develop a resource for staff that documents a procedure consistent with this recommendation. As mentioned previously, Personnel has been engaged in the cross training of staff and already has procedure documentation in some areas. We will continue to ensure that staff are aware and trained on the COBRA benefits billing duties and that documentation is thorough and maintained with current procedures.

Status – Implemented

The Department's three Senior Administrative Clerks have been trained on how to calculate the health care charges that are to be included in the COBRA notice. The Accounting Technician is trained on how to process the COBRA election as described in the Department's COBRA processing procedures. Once the Department fills their open Accountant-Auditor position, that individual will be trained on how to complete the COBRA billing processes and will serve as a backup. Currently the Senior Administrative Services Officer is serving as backup to this process.

Leave of Absence Benefits Billing Processes

Consistency of Applying Billing Rules

Billing rules are constantly changed and updated. They are reflected in Chapter 3 of the Placer County Code. We noted the Department was not always consistent in applying billing rules and these billing rules were not documented appropriately, resulting in employees being billed incorrectly.

We recommend the Department maintain sufficient billing documentation to ensure all billings are supported with billing rules used, calculation methodology, employee benefit and leave information, and rates and dates applied.

Personnel Department Response:

We concur and will develop a procedure as well as documentation consistent with this recommendation.

Status – Implemented

The Department's new billing notice to debtors includes the leave of absence rule for which they are being charged and details of charges by pay period. The auditor's follow-up testing of the Department's leave of absence benefits billing process found the Department's billings were supported by sufficient billing documentation.

Review and Reconciliation of Leave of Absence Billings

The Department does not review and reconcile work completed for leave of absence benefits billing to ensure billings are timely processed, accurately coded and calculated, and consistent with applicable billing rules. We also noted supporting documentation was not sufficient in most cases and there was an absence of a systematic method of tracking, filing and documenting of all bills made to County employees. In addition, we noted billings to employees were not always processed timely, at times taking upwards to 7 months to process.

We recommend the Department implement review procedures and routinely perform reviews and reconciliations of leave of absence benefits billing. These procedures should include establishing a method to log/track the dates all PAFs are received, dates leave of absence billings are prepared and mailed to employees, as well as a systematic filing process. Then, utilize this logging/tracking method as a reconciliation and verification that all procedures have been completed and within reasonable timeframes.

Personnel Department Response:

We concur and will develop a review procedure consistent with this recommendation.

Status – Implemented

The Department's Senior Administrative Services Officer reviews and reconciles leave of absence benefits billing calculations and supporting documentation to ensure accuracy and timeliness of the billings before being sent to applicable employees.

Cross-Training and Desk Procedures

We noted there is an absence of written desk procedures and a lack of cross-training of leave of absence benefits billing duties such as identification of billings, performance of billing calculations and creation of employee bills.

We recommend the Department cross-train additional staff in completing leave of absence benefits billing processes to ensure the procedures are done accurately and timely. In addition, the Department should establish desk procedures to assist staff in all aspects of leave of absence benefits billing processes.

Personnel Department Response:

Personnel concurs with this recommendation. Personnel is allocated one Accounting Technician whose duties include the medical billing for staff on leaves of absence. Given the complexity of the current billing process, cross training of non-accounting staff has been a challenge. A new Accounting Technician has been hired and the prior incumbent moved to a new assignment in Personnel. This incumbent will function as back-up to our one Accounting Technician and the related function of medical billing for staff on leaves of absences.

Regarding the establishment of desk procedures, we concur and are in the process of developing this procedure as well.

Status – Implemented

The Department's new Accounting Technician performs the functions of the leave of absence benefits billing process and the previous incumbent to the position now acts as backup to the process. Additionally, the CEO office provides resources when needed.

The Personnel Department's responses to our recommendations identified in our original review report dated September 25, 2014 are included above. We did not audit their responses and, accordingly, we do not express an opinion on them.

We appreciate the courtesy and cooperation of the Department's staff throughout the course of this review.

Respectfully,



Andrew C. Sisk, CPA
Auditor-Controller

cc: David Boesch, County Executive Officer
Judy LaPorte, Assistant Personnel Director
Jon Harned, Senior Administrative Services Officer
Placer County Civil Service Commission
Placer County Audit Committee