



FULTON COUNTY

FULTON COUNTY, GEORGIA
OFFICE OF THE COUNTY AUDITOR
Employee Wellness Program Review
March 6, 2017

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INTRODUCTION

At the request of the Finance Department, the Office of the County Auditor conducted a review of the Fulton County Employee Wellness Program. The review was requested due to concerns regarding the administration of the Employee Wellness Program and the use of the Wellness Fund.

BACKGROUND

Blue Cross Blue Shield (BCBS) was awarded the Employee Health Benefit Plan for Medical and Pharmacy Services contract to provide the medical and pharmacy services for Fulton County's active and retired employees. The term of the contract was one (1) year commencing January 1, 2013 and was renewed for two (2) additional one (1) year terms ending December 31, 2015. Under the contract, BCBS administered the following self-insured programs:

- Health Maintenance Organization (HMO) for active employees and retirees;
- Preferred Provider Organization (PPO) for active employees and retirees under 65;
- PPO Plus for closed group of retirees 65 and over;
- Medicare Indemnity Plan for retirees 65 and over; and
- Consumer Directed Health Plan (CDHP) for active employees and early retirees.

BCBS provided healthcare claims and administration, wellness, disease management, Employee Assistance Program (EAP), mental health, utilization management and pharmacy services for an all-inclusive administration fee.

For the 2016 plan year, medical and pharmacy services were solicited under a new Employee Healthcare Benefit Plan design strategy approved by the Board of Commissioners. Kaiser Permanente and BCBS were awarded the contract for the initial term of January 1, 2016 through December 31, 2016 with three renewal options. Under the contract, Kaiser administers the fully-insured HMO program and BCBS administers the Health Savings Account (HSA), Point of Services (POS) and pharmacy benefits on a self-insured basis for active employees and non-Medicare retirees. Additionally, BCBS continues the responsibility of managing the HMO Medicare Plan, Medicare Indemnity Plan and PPO Plus Plan for retirees age 65 and older. The contract provides an all-inclusive administration fee for the following services:

- Medical Plan Administration;
- Claims Adjudication;
- Standard Reporting;
- Wellness and Disease Management Programs;
- Customer Service;
- Employee Assistance Program (EAP);
- Mental Health Administration;

- Consolidated Omnibus Budget Reconciliation Act (COBRA) Administration; and
- Pharmacy

Each year, the County receives Wellness Credit or Allowance from BCBS and Kaiser for the benefit of its employees and all eligible retirees. These credits are maintained in the Wellness Fund and offset the County’s cost associated with implementing a new vendor/plan, communicating changes and promoting programs as well as engaging employees in various Wellness and Disease Management/Chronic Care Programs.

The Employee Wellness Program was established to promote health and wellness among Fulton County employees by offering events such as, health fairs, seminars and fitness classes. The Fulton County Employee Wellness Committee (FCEWC) was developed to manage the implementation and operations of the Employee Wellness Program as well as facilitate the use of the Wellness Fund. The FCEWC is comprised of ten (10) members including personnel from key County departments, representatives from BCBS and Kaiser, and a County employee that was designated as the chair.

OBJECTIVE

The objective of the review was to assess the administration of the Employee Wellness Program, evaluate internal controls and determine whether the program is operating as intended. In addition, we evaluated the use of the annual discretionary Wellness Fund.

SCOPE

The period for this review was January 1, 2014 through December 1, 2016.

METHODOLOGY

We conducted this audit in accordance with Generally Accepted Government Auditing Standards (GAGAS). GAGAS requires that we plan and perform the audit by obtaining sufficient and appropriate audit evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. To achieve our audit objectives, we conducted interviews with key staff, personnel and contractors, reviewed the Employee Healthcare Benefit Plan contract and examined vendors’ invoices. We believe that the evidence obtained provides a reasonable basis for our findings and recommendations detailed in the section below.

FINDINGS AND RECOMMENDATIONS

Finding 1 – Conflicts of Interest

According to the Fulton County Code of Ethics, Section 2-68, Conflicts of Interest Generally/Impartiality:

- (a) *“Officers and employees shall avoid even the appearance of a conflict of interest. An appearance of a conflict of interest exists when a reasonable person would conclude from the surrounding circumstances that the ability of the officer or employee to protect the public interest or impartially perform a public duty is compromised by financial or personal interests in the matter or transaction. The appearance of a conflict of interest can exist even in the absence of an actual conflict of interest, which exists whenever the officer or employee knows or should know that he or she has an interest that may be affected by his or her official acts or actions.”*
- (b) *“No officer or employee shall by his or her conduct give reasonable basis for the impression that any person can improperly influence him or her, or unduly enjoy his or her favor, in the performance of any official acts or actions.”*
- (c) *“No officer or employee shall, by virtue of his or her position with the county, except as necessary in the performance of his or her official duties, directly or indirectly influence or attempt to influence the decision of any other officer or employee who must act to further any county procurement, policy, contract, matter, or transaction.”*

During implementation of the Employee Wellness Program, the FCEWC established a Worksite Wellness Program Manager position to be responsible for the planning, design, implementation, delivery and evaluation. The FCEWC entered into an agreement with Partnership in Fitness, LLC to provide the Worksite Wellness Program Manager. Partnership in Fitness, LLC is paid from the Wellness Fund by SCR Consulting, a BCBS sub-contractor that provides consulting and onsite wellness services. However, we discovered the FCEWC entered into an agreement with Partnership in Fitness, LLC while the owner and operator was an active Fulton County employee. Table 1 below indicates the total compensation Partnership in Fitness, LLC received from the Wellness Fund and the total amount the owner was paid by Fulton County as an active employee:

Table 1

Year	Partnership in Fitness, LLC	Active Employee
2014	\$ *17,003.64	\$ 25,430.45
2015	66,276.48	6,222.89
2016	<u>61,826.00</u>	<u>**651.35</u>
	\$ 145,106.12	\$ 32,304.69

*A total of \$1,678 was paid directly to the owner

**Holiday back-pay

Of the total \$145,106.12 paid to Partnership in Fitness, LLC, \$21,659.64 is the total amount received prior to the owner separating from her position with the County on February 21, 2015. In addition, the owner’s spouse was paid from the Wellness Fund for videography services he provided at several Employee Wellness Program events. This presented a conflict of interest, which violated the Fulton County Code of Ethics. Subsequently, an unfair advantage was

provided to a County employee and her immediate family. Furthermore, this resulted in an employee being able to hold two (2) positions and receive additional benefits from the County.

Recommendation

Effective, December 1, 2016, the Finance Department dissolved the FCEWC as a result of mismanagement. In addition, the Finance Department terminated the contract with Partnership in Fitness, LLC and the owner is no longer providing the services of the Worksite Wellness Program Manager. The Finance Department has taken on the responsibilities for the administration of the Employee Wellness Program and use of the Wellness Fund. The Finance Department should continue to promote compliance with all County policies and ensure conflicts of interest and favorable treatments are not present.

Finding 2 – Violation of Ethical Standard Related to Unemployed Employees

Under the Fulton County Code, Section 2-77, Unemployed officers and employees, states:

- (a) *"No officer or employee shall, after the termination of his or her employment with the county, participate in any contract with the county, in a managerial, entrepreneurial or consulting capacity. For the purposes of this section, "consulting" shall include, but not be limited to, advising any person doing business with the county or seeking to do business with the county (whether as a prime contractor or subcontractor) regarding the meaning and application of county rules and regulations, the administration of which were a part of the official responsibility of the officer or employee before termination of his or her employment. In addition, no officer or employee shall, after termination of his or her employment with the county, knowingly make, with the intent to influence, any communication to or appearance before any department, board, or other authority of the county in connection with a particular matter: (1) in which the county has a direct and substantial interest; and (2) in which such person knows or reasonably should know was under his or her official responsibility as such officer or employee before the termination of his or her employment with the county."*
- (b) *"The restrictions set forth in this section shall be in effect for a period of one year after the termination of the officer's or employee's employment with the county..."*

The owner of Partnership in Fitness, LLC indicated in 2015 she was instructed by the chair of the FCEWC to hire a certain individual as an Accounts Payable Clerk to perform financial duties for the Wellness Fund. According to the owner, the chair of the FCEWC also directed her to increase the company's monthly invoice amount by \$1,600 to incorporate the services of the Accounts Payable Clerk in order to provide compensation to the individual. However, we noted that the Accounts Payable Clerk is a former employee that was terminated from Fulton County on March 6, 2015 and was hired by Partnership in Fitness, LLC within one year of her

termination from the County. This violates the Fulton County Code of Ethics by allowing a former employee to participate in services provided under the County's contract with BCBS during a period of restriction. Furthermore, we noted that the Accounts Payable Clerk was also the relative of the chair of the FCEWC. It appears that the chair of the FCEWC may have used her position to satisfy her personal interest. This presented a conflict of interest and displayed a form of nepotism, which also violates the Fulton County Code of Ethics. Violations of the Code of Ethics by an employee could result in disciplinary action in accordance with the personnel rules and regulations of the County.

Recommendation

Effective November 1, 2016, the Finance Department ceased the Accounts Payable Clerk functions by Partnership in Fitness, LLC for the Employee Wellness Program. The Finance Department has since taken over all financial duties for the Employee Wellness Program. The Finance Department should ensure that any operations related to the Wellness Program comply with all ethical standards established by the County.

Finding 3 – Failure to Properly Contract Professional Management Services

The Fulton County Purchasing Code Section 102-375, Competitive selection procedures for professional and consultant services, provides criteria for the process of selection and evaluation of vendors to ensure a fair and equitable process. In addition, the code states that Professional and Consultant services must be procured via a Request for Proposal (RFP), regardless of cost. All contracts for professional and consultant services must be in writing, the contract must include the scope of work and project deliverables. In addition, all contracts for professional and consultant services must be approved by the Board of Commissioners regardless of the cost.

During our review, we noted the services related to managing the Employee Wellness Program were not procured through the County's RFP process. The funding for the management services were not paid directly by the County but were paid from the Employee Wellness Fund Budget provided by BCBS through SCR Consulting. This allowed the services to be acquired without following the Fulton County Purchasing Code. Instead, an individual was appointed to serve as the Worksite Wellness Program Manager. However, we were unable to obtain documentation that identifies the process of selection used to appoint the selected individual as the Worksite Wellness Program Manager. Furthermore, we were not provided with any evidence of an evaluation process or that a collective decision was made or a vote was taken by the FCEWC.

In addition, we obtained the 2015-2016 contractual agreement between the appointed individual and the FCEWC, which specifies the functions the Worksite Wellness Program Manager was to perform in order to manage the Employee Wellness Program. The agreement also states that the individual was to receive a total amount of \$50,000 annually for the services rendered as the Worksite Wellness Program Manager. However, the agreement did not appear valid as the document was not signed by any member of the FCEWC. Also, we were unable to

obtain documentation that indicates how the scope of work and annual compensation amount was established. FCEWC failed to properly document their selection and evaluation process for the selection of the Worksite Wellness Program Manager in order to demonstrate the process was competitive and fair. In addition, the FCEWC failed to properly initiate a contract for the management services of the Employee Wellness Program. This resulted in the Wellness Fund being used for unauthorized purchases and services.

Recommendation

As of December 1, 2016, the Finance Department terminated the agreement with the previously appointed Worksite Wellness Program Manager. The Finance Department is currently managing the Employee Wellness Program and should evaluate if there is a need to procure professional management services in the future for the Employee Wellness Program.

Finding 4 – Lack of Appropriate Method for Vendor Selection

According to the Standard Operating Procedures of the Department of Purchasing and Contract Compliance, the Purchasing Representative must determine the best solicitation method for the procurement of a needed good or service. Purchases may be procured using one of the following methods:

- Purchasing Cards are used for small dollar purchases ranging from \$.01 to \$2,499.99;
- A Request for Quote (RFQ) or an informal bid is the method used for purchases ranging from \$2,500 to \$49,999.99; and
- A formal bid or RFP should be used for purchases that are \$50,000 or greater.

During our review, we discovered that the FCEWC did not utilize the County's procurement process in the selection of vendors to provide services for the Employee Wellness Program. The services provided by the vendors were paid through SCR Consulting from the Wellness Fund provided by BCBS. Therefore, the FCEWC did not utilize the County's methods for procuring services for the Employee Wellness Program activities. The FCEWC took on the responsibility for approving the vendors to provide services. However, there were no documented processes or rules established related to the selection of vendors to provide services or for the purchase of commodities. Specifically, we noted the following purchases:

- Promotional items such as T-shirts, banners, flyers and mugs;
- Food for Wellness events, volunteer luncheons and retreats;
- Vendors that provided services for various Employee Wellness events;
- Electronics such as computers and tablets;
- Fitness Equipment used at designated County's workout facilities; and
- Items that were used as prizes and incentives such as Fitbits, grills, mountain bikes, and I-pod shuffles.

According to the Worksite Wellness Program Manager, vendors were selected for events based on word of mouth or prior business relations with the Worksite Wellness Program Manager. Several members of FCEWC indicated that the process of selection included obtaining three (3) quotes; however, we were unable to obtain any documentation confirming quotes were obtained. The FCEWC failed to comply with the County's procurement process or develop an adequate vendor selection process that was competitive, fair, lacked favoritism and was cost-effective. This could result in excess and unnecessary spending of funds.

Recommendation

As of December 1, 2016, the Finance Department has assumed the responsibility of the for the Employee Wellness Program operations. The Finance Department should ensure the method of vendor selection follow all County policies. Specifically, adherence to the County's procurement policies fosters effective competition in the marketplace and promotes fair and open competition.

Finding 5 – Failure to Obtain Appropriate Approvals

Approval should be obtained by the appropriate County personnel prior to submitting payment to vendors. During our review, we determined invoices provided by vendors were not properly approved. The FCEWC provided verbal approvals to SCR Consulting to pay vendor invoices and make purchases on behalf of the Employee Wellness Program. However, the invoices were not submitted to the Finance Department for review and approval. There appears to be a failure to follow established procedures for payment of invoices. Additionally, the failure to obtain appropriate approvals may lead to misappropriation of funds and/or unauthorized purchases and expenditures.

Recommendation

Since the Finance Department has taken over all financial duties for the Employee Wellness Program, the department should ensure proper approvals are obtained for invoices prior to payments of services related to the Wellness Fund.

Finding 6 – Lack of Sufficient Documentation

Sufficient documentation should be collected and properly maintained in files. During our audit, we reviewed the summary of expenses that indicated the total payments made to vendors each month using the Wellness Fund dollars for 2014 through 2016. As a result of our review, we noted expenses that appeared questionable. In order to determine the validity of the expenses, we requested the related supporting documentation for all payments reflected on the summaries from SCR Consulting. Based on our review of the information provided, we noted sufficient supporting documentation was not maintained in order to determine the adequacy of the Wellness Fund expenses. More specifically:

- Several invoices from 2014 through 2016 were not provided;
- Services such as videography were provided during Employee Wellness Program events; however, there was a lack of documentation confirming these services were actually provided;
- Gift cards totaling \$45,421.45 were purchased using Wellness Fund dollars from 2014 through 2016. According to the chair of the FCEWC, gift cards were used to purchase supplies needed for events, as well as used for giveaways for events. However, documentation as to who received gift cards as prizes and purchases made using the gift cards were not available;
- Items that were used as prizes, incentives and giveaways including over 175 Fitbits totaling about \$18,809 were purchased during 2014 and 2015. Other items purchased included grills, mountain bikes and I-pod shuffles. However, documentation was not provided to indicate the winners of these items;
- Vendors were hired for Employee Wellness Program events and were paid a flat hourly rate; however, timesheets were not available to verify the specific number hours that were worked;
- Electronics totaling approximately \$7,423 which included laptops, tablets, projectors and cameras were purchased using Wellness Fund dollars during 2014; however, documentation was not provided to indicate who maintains ownership of these electronics;
- Reimbursement of mileage totaling \$200 in April 2015 using Wellness Fund dollars to a consulting company; however, no documentation was provided to indicate reason for mileage reimbursement;
- Airline and hotel reservations totaling \$1,212 for travel of the FCEWC Program Manager, was paid in September 2015 using Wellness Fund dollars; however, documentation was not provided to indicate reason or approval for travel; and
- A payment was made to American Express in the amount of \$2,024 in April 2014; however, documentation was not provided to indicate reason for payment.

In addition, several vendors failed to provide W9s as needed for tax purposes and we were unable to obtain adequate information to determine whether SCR Consulting was properly reconciling bank accounts in reference to the Wellness Fund. The FCEWC failed to ensure sufficient documentation was obtained and accurate recordkeeping was maintained. As a result, purchases were not properly documented and vital information may not be available for required financial reporting. This increases the possibility of unauthorized purchases, misappropriation of funds and/or fraudulent use of the Wellness Fund.

Recommendation

Adequate documentation should always be obtained for all financial transactions as a means of providing verification of purchases and aid in the prevention of fraud, waste and abuse. In addition, all employees should ensure proper recordkeeping is performed.

AUDIT CONCERN – Unspent Wellness Fund Dollars

The FCEWC should ensure all Wellness Fund dollars received from BCBS are spent prior in the year it is received. During our review, we noted that there was a total of approximately \$183,357.45 remaining as of 11/28/2016 that had yet to be spent. This amount had to be spent by the end of 2016 or there was a risk of losing the remaining funds. A plan should be developed for all Wellness Fund dollars to ensure funds are successfully expended each year.

CONCLUSION

Based on our review of the Employee Wellness Program, we identified the following findings:

- Conflicts of Interest;
- Violation of Ethical Standard Related to Unemployed Employees;
- Failure to Properly Contract Professional Management Services;
- Lack of Appropriate Method for Vendor Selection;
- Failure to Obtain Appropriate Approvals; and
- Lack of Sufficient Documentation

In addition, we noted the following audit concern:

- Unspent Wellness Fund Dollars

Although corrective actions have been taken to dissolve the FCEWC, the Finance Department should continue to strengthen the internal controls surrounding the Employee Wellness Program. In addition, appropriate actions should be taken to ensure adherence to all County requirements, the operating effectiveness of the program and adequacy of the use of the Wellness Fund. In the instance any other issues may arise regarding the Employee Wellness Program and the use of the Wellness Fund, we will work to investigate those matters.

Please provide a written response to this audit within 10 days if findings and/or concerns are listed in this report. You may email your written response to the County Manager and Brigitte Bailey, Audit Coordinator, Office of the County Auditor at Brigitte.Bailey@fultoncountyga.gov. We would like to thank management and staff for their timely cooperation and assistance during this audit. The distribution of this report is reserved for the executive management of Fulton County and the Board of Commissioners.