



Internal Audit Department

O R A N G E C O U N T Y

AUDIT HIGHLIGHT

APRIL 11, 2012

**SPECIAL REQUEST AUDIT:
PERFORMANCE MEASURE VALIDATION AUDIT
OF HUMAN RESOURCES DEPARTMENT –
EMPLOYEE BENEFITS VENDOR, KAISER PERMANENTE
Audit No. 1155**

WHY IS THIS AUDIT IMPORTANT?

The contract with Kaiser contains a set of performance measures in the areas of member service, member satisfaction, account management and quality of care. Each of the twenty-three (23) performance measures is assigned a performance level, and a penalty percent that Kaiser pays the County if the performance level is not achieved. The annual premium for Kaiser in 2010 was \$42,319,069. The total amount of the annual premium at risk because it is based on Kaiser's achievement of their performance measures is \$846,381 or 2 percent. The penalty percent range for each performance measure is from .08% to .1% of the annual premium or \$33,855 to \$42,319 in dollars.

The objectives of this audit were to determine if Kaiser is accurately reporting its performance measure results and develop an audit approach for the Human Resources Department to conduct future audits of benefits vendors to determine that the vendors are accurately reporting their performance measure results.

WHAT THE AUDITORS FOUND?

Successes

We tested five out of Kaiser's twenty-three 2010 reported performance measures and found that they were accurately reported and supported.