

MEMORANDUM

To: Teddy N. Williams, Jr., County Attorney

From: R. B. "Chips" Shore, Clerk of the Circuit Court, County Comptroller and Auditor

Date: September 1, 1998

Subject: Risk Management Division Follow-Up Audit

The Internal Audit Department has completed a follow-up audit based on the Audit Report of the Risk Management Division issued on March 27, 1997. The follow-up audit consisted of reviewing corrective actions implemented by the Risk Management Division for areas where we provided constructive criticism and recommendations in the original audit. Internal Audit did not perform tests of compliance with these newly implemented controls. We will review compliance during the next regularly scheduled audit of the Risk Management Division to determine whether the controls are functioning effectively and efficiently in accordance with management's designs and objectives.

Internal Audit found that portions of the audit concerns from the original audit have been resolved and we are pleased with the efforts made in correcting these findings. We also noted improvements in the Risk Management Division's General Liability and Auto claims section, as well as in the implementation of a formal safety program. Internal Audit believes the controls implemented will significantly improve the accountability over operations. Internal Audit noted that the following areas still require management's attention:

1. Ordinance 92-23 is outdated and does not reflect the needs of Manatee County's self-insurance program. Ordinance 92-23 incorporated standard commercial insurance policies and other outdated requirements that are not consistent with the current program, and therefore, are not being followed. Management is aware of the need to revise the ordinance and anticipates its completion by January 1999. Because the ordinance is in effect, some of the inconsistencies include but are not limited to:
 - a. The Workers' Compensation policy is not consistent with the current law,
 - a. The auto policy contains coverage for collision on total loss vehicles which is not consistent with current procedures,
 - c. The auto policy contains language for PIP coverage, which is not a coverage that the Division would like to provide,
 - d. The ambulance and attendants malpractice policy appears to be redundant to the general liability provision,

- e. The Public Official Liability policy does not appear to be accurate,
- f. The Claims Review Committee requirement has not been established, and
- g. The annual performance report requirement on the self-insurance program that is prepared does not satisfy the specific reporting requirements.

We also noted that Risk Management has not obtained the authority from the Board of County Commissioners to dispose of salvage vehicles in a way that is consistent with F.S. 274.05. Management has expressed that this authority will be included in the revisions included in the new ordinance.

Management has further expressed that the policies and procedures for the Division will be updated approximately six months after the new ordinance has been approved, to ensure consistency and minimize unnecessary adjustments.

Internal Audit supports management's pursuit of re-writing Ordinance 92-23 to better reflect Manatee County's insurance needs.

2. Workers' Compensation injuries that lead to lost time lack sufficient controls. Internal Audit understands the importance of having a Workers' Compensation Claims Adjuster on staff to monitor and protect Manatee County's interest with the Workers' Compensation third party administrator. The Claim Adjuster is also instrumental in working as a liaison between the injured employee and Department's personnel in educating them on Workers' Compensation requirements. A weakness, however, was noted in ensuring that timecards are completed accurately based on the employee's workers' compensation status and payments made by the third party administrator, particularly for those on "lost time" status. We understand that one of the primary responsibilities of the Workers' Compensation Section is to ensure indemnity payments are paid on a timely basis; however, we feel that the payments made by the Payroll Department based on the employees timecards can not be ignored. Department Managers appear to be approving timecards relying on the words of the injured workers without contacting Risk Management for verification. We believe that improved communications and/or the monitoring of timecards are essential to ensure that all payments received by the injured employee are accurate.

Internal Audit recommends that the Risk Management Division develop and implement controls to ensure that employees with lost time payments are being correctly compensated.

3. The policies and procedures for the Right-to-Know Program do not reflect the current operations of the program. The policies and procedures for the program were established in November of 1993 and are not consistent with the current Right-to-Know Program operations. The Safety Training and Compliance Officer is in the process of revising the policies and procedures and anticipates its completion by October 1998.

Internal Audit encourages the revision of the Right-to-Know Program's policies and procedures to coincide with current operations.

4. The expense allocation for payroll of the Senior Assistant County Attorney for Risk Management is not accurate. The automatic payroll allocation does not adequately reflect the time spent on work charged to the Risk Management Division's internal service fund.

Internal Audit recommends that management evaluate and adjust the automatic payroll allocation to better reflect the amount of time spent on the administration of the Risk Management Division.

5. Job descriptions for three positions do not appear accurate. The Senior Assistant County Attorney for Risk Management, the Safety, Claims and Risk Manager, and the Safety Training and Compliance Officer's job descriptions have not been updated to reflect current duties performed.

Internal Audit recommends management evaluate and update the job descriptions for the positions stated above, to ensure that they accurately reflect the duties of the positions.

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We appreciate the careful attention given to the audit findings by the Risk Management Division management. Internal Audit recommends that the Risk Management Division continue to address the areas that require improvement. Another follow-up will be required in approximately six months to review the above areas. We thank the Risk Management Division staff and management for their courteous assistance provided to our auditors.

RBS/MDB/BJW

cc: Board of County Commissioners

Ernie L. Padgett, County Administrator

William C. Henry, Sr. Asst. County Attorney