

MEMORANDUM

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

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

Date: June 19, 2001

Subject: Risk Management Division Follow-Up #2

The Internal Audit Department has completed a follow-up audit based on the Clerk of the Circuit Court's Audit Report of the Risk Management Division issued on March 27, 1997 and the Follow-up Audit Report issued September 1, 1998. This follow-up consisted of reviewing corrective actions implemented by the Risk Management Division for the areas where we provided constructive criticism and recommendations. 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 reviewed the corrective actions implemented on the findings and recommendations included in the follow-up report and found most of the areas properly corrected by management. The following areas, however, still require management's attention:

1. Ordinance 92-23 is outdated and does not reflect Manatee County's self insurance program. Management has developed a draft to replace Ordinance 92-23. The draft is currently under review at the County Attorney's Office and will subsequently be distributed to the constitutional officers for their review and comments. The final draft will be presented to the Board of County Commissioners for approval.

Policies and procedures for the Division will be updated after the new ordinance has been approved, to ensure consistency and minimize unnecessary adjustments.

Management Action Plan: Management will keep Internal Audit informed of the status of the Ordinance and anticipates its approval within 12 months. Policies and procedures will be developed within six months after the new ordinance has been approved.

2. Controls should be strengthened in the process of paying injured employees under the Workers' Compensation Program. Improvement is still needed to ensure the accuracy of payments made by the Third Party Administrator (TPA) on behalf of the Workers' Compensation Program for employee's receiving indemnity compensation (payment for lost time). Internal Audit identified three primary areas where Risk Management can benefit from the implementation of stronger controls:

- a. Florida Statute 440.12 states that no compensation shall be paid by the Workers' Compensation Program for the first seven days of the disability. But, if the injury results in disability of more than 21 days, compensation shall be paid retroactively from the commencement of the disability. Manatee County's policy allows injured employees to use their accrued vacation, sick, and comp earned balances for the first seven days of disability and, thereafter, to offset their reduced income. When the TPA pays an injured worker retroactively for the first seven days, the injured employee may have also received compensation from Manatee County in the form of payment from employee's accrued leave balances for the same seven-day period.
- b. Department supervisors are responsible for completing timecards of employees out on Workers' Compensation. The TPA receives information regarding the employees' status directly from the doctor. Formal lines of communication between the TPA, Risk Management, and department supervisors have not established to disseminate this information. In addition, supervisors have not received formal training in the completion of timecards for employees receiving Workers' Compensation. By implementing formal lines of communication and additional training, improvement can be made in the consistency and accuracy of the administration of Workers' Compensation claims.
- c. The Risk Management Division is responsible for monitoring indemnity payments made by the TPA. The Risk Management Division has on-line inquiry to the TPA's records that includes indemnity payments and adjusters' notes; however, this information has not been used to monitor payments. By periodically reviewing this information, the Division can ensure the accuracy of payments made to injured employees by the TPA on a timely basis. If it is determined that an injured employee has been overpaid, then restitution arrangements can be made between the injured employee and Manatee County.

Management Action Plan: Management is in the process of developing policies and procedures that will include standards for the accounting and recording of the first seven days of a workers compensation injury; establishing formal lines of communication between the Division, the TPA, and department supervisors; and developing internal procedures for the monitoring of indemnity payments made by the TPA. Management estimates completion of these policies and procedures within six months.

In addition, Management will develop a training program for department supervisors in the proper recording of timecards for those employees who are on workers' compensation. Management estimates completion of the training within 12 months.

We appreciate the careful attention given to the audit findings by the Risk Management Division's management and staff. We feel with the strengthening of controls in the areas mentioned, operations of the Risk Management Division will function more effectively and efficiently. Another follow-up will be required in approximately 12 months to review the areas above. We thank the Risk Management Division staff and management for the courteous assistance provided to our auditors.

RBS/RJO

cc: Board of County Commissioners
Ernie L. Padgett, County Administrator
William C. Henry, Chief Assistant County Attorney

MEMORANDUM

TO: City Desk Editor, Bradenton Herald
City Desk Editor, Manatee AM
Islander Bystander
Sid Thomas, North River News
WHNZ, Newsroom
Shay Sullivan, Longboat Key Observer

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

DATE: June 19, 2001

RE: Announcement of the Release of an Internal Audit Report

My office is releasing today the Internal Audit Memorandum for the Risk Management Division Follow-up #2 that was performed as of April 30, 2001. Anyone interested in obtaining a copy may contact the Internal Audit Department at 741-4017. Copies of the memorandum can either be mailed, faxed or picked up at the County Courthouse room 158.