

MANATEE COUNTY CLERK OF THE CIRCUIT COURT  
INTERNAL AUDIT DEPARTMENT

COUNTY ATTORNEY'S OFFICE  
RISK MANAGEMENT DIVISION ORDINANCE AUDIT

A U D I T   R E P O R T

**TABLE OF CONTENTS**

I.      INTERNAL AUDIT REPORT

|    |  |     |
|----|--|-----|
| A. | Background.....  | 1   |
| B. | Purpose/Objectives .....   | 1-2 |
| C. | Scope; Methodology; Irregularities, Abuse or<br>Illegal Acts; Test of Compliance;.....       | 2   |
| D. | Statement of Internal Control Structure; Management Team<br>and Management Action Plan ..... | 3   |
| E. | Management Summary .....   | 3-4 |
| F. | Audit Report Authorization.....  | 4   |
| G. | Areas of Improvement and Management Action Plans.....  | 5-7 |

MANATEE COUNTY CLERK OF THE CIRCUIT COURT  
INTERNAL AUDIT DEPARTMENT

COUNTY ATTORNEY'S OFFICE  
RISK MANAGEMENT DIVISION ORDINANCE AUDIT

**A U D I T   R E P O R T**

The Internal Audit Department conducted a financial, compliance, and operational audit of the Risk Management Division's Self Insurance Ordinance for the audit period March 1, 2004 through August 31, 2005. The audit was performed in accordance with *Generally Accepted Governmental Auditing Standards* issued by the Comptroller General of the United States; and the *Standards for the Professional Practice of Internal Auditing* issued by the Institute of Internal Auditors.

**BACKGROUND:**

The self-insurance program was established for providing a system through which the County can protect its assets, comply with applicable legal requirements, and meet its liabilities under State and Federal law. Manatee County has assumed responsibility for retention of risk for liability to third parties, for repair and replacement of damage to County vehicles and other property, for asserting claims against other persons and entities, and for management of sufficient commercial insurance to cover catastrophic losses and liabilities as set forth in Ordinance 03-47.

The County Attorney's Risk Management Division is an internal service fund. Expenses are recovered from participating departments and agencies based on actuarial estimates of the amounts needed to pay prior and current year claims. This audit concentrated on following sections of the Ordinance that pertained to:

- Negotiating the purchase of excess property insurance for all of the County's physical and real property,
- Processing and settling fleet and general liability claims in-house, and
- Collecting on subrogated, restitution, and property claims due to Manatee County.

**PURPOSE/OBJECTIVES:**

The main audit purpose/objectives included, but were not limited to, the following:

- To verify accuracy and input timeliness of financial data and reports processed by the Risk Management Division for fleet and general liability claims, as well as those processed by the commercial insurance carriers.

**PURPOSE/OBJECTIVES: Continued**

- To verify an adequate system of internal control exists to safeguard assets, maintain the integrity of reports on operations, and provide adequate evaluation of the Risk Management Division's objectives and responsibilities.
- To verify program compliance with Manatee County Ordinance 03-47 and signed agreements or contracts.
- To evaluate overall operational efficiency and effectiveness.

**SCOPE:**

The scope of the audit included reviewing the overall adequacy of internal controls and operational efficiency and effectiveness of the Risk Management Division's fleet and general liability claims administration function as well as the managing of the excess commercial insurance policies. This was accomplished by examining and testing financial and operational records in addition to testing compliance to the state and county laws for the period March 1, 2004 through August 31, 2005. The audit excluded the Division's workers' compensation and safety functions.

**METHODOLOGY:**

Internal control evaluations were accomplished by reviewing key operations of this specified area through discussions with management and staff, observations, and analytical and substantive testing of individual internal controls. Risk analysis was used to establish priorities of audit objectives.

**IRREGULARITIES, ABUSE, OR ILLEGAL ACTS:**

No indications of irregularities, abuse, or illegal acts were discovered during the Risk Management Division Ordinance Audit for the period ending August 31, 2005.

**TEST OF COMPLIANCE:**

Internal Audit tested compliance with certain laws and regulations, obtained an understanding of internal controls and assessed control risk. Tests performed were limited to the specific areas included in the Purpose/Objective section of this report and appeared to provide sufficient evidence to support an opinion on compliance and internal controls for the areas tested. Except as noted in our audit report, tested items were in compliance with regulations and other policies established by the Risk Management Division.

**STATEMENT ON INTERNAL CONTROL STRUCTURE:**

In planning and performing the Risk Management Division Ordinance Audit for the year ended August 31, 2005, the internal control structure was considered in order to determine the auditing procedures for the purpose of this report. As a result, we noted in the audit report matters involving the internal control structure and its operations that are considered reportable conditions under standards established by the U.S. General Accounting Office, *Government Auditing Standards*. Reportable conditions involve matters relating to deficiencies in the design or operation of the internal control structure that, in our judgment, could adversely affect the organization's ability to record, process, summarize and report on data consistent with management's intentions.

Our consideration of the internal control structure would not necessarily disclose all matters in the internal control structure that might be reportable conditions, as defined above. In addition, because of the inherent limitations in any internal control structure, deficiencies in the design or operation of the internal control structure may exist and not be detected.

**MANAGEMENT TEAM AND MANAGEMENT ACTION PLAN:**

A Management Action Plan will be given for each Area for Improvement. Management Action Plans are corrective actions with implementation dates developed in cooperation with the Department's management team and the Internal Audit Department. The Management Team included the County Attorney, the Assistant County Attorney, the Safety/Claims Risk Manager, and the Claims Adjuster.

**MANAGEMENT SUMMARY:**

The Risk Management Division's Fleet and General Liability Section is staffed by one claims adjuster who is responsible for the processing of claims against Manatee County as well as collecting on claims paid by Risk Management for damages on county property not caused by county personnel (subrogation), claims paid by county departments for damages to county property not caused by county personnel (direct actions), and claims paid by county departments for damages to county property resulting from a criminal court order (restitution claims). The Risk Management Division Manager is responsible for the supervision of the Division as well as managing the excess commercial claims and performing claims adjuster services on large accidents. As the number of claims in the Fleet and General Liability Section continues to grow, staffing levels have remained constant and the current computer system has become inefficient. The audit identified the following areas where improvements can be made:

- The Risk Management Division staff has not been able to dedicate sufficient resources to the fleet and general liability functions to meet current demands resulting in documentation exceptions that included processing and procedural errors in the initiating, tracking, and collecting of claims. In addition, approximately \$60,000 of subrogation claims and \$113,000 property claims have not been processed. The Management Team through the Management Action Plan is in the process of reorganizing the duties of the current staff to provide additional resources for the collection of subrogation, direct actions, and restitution claims and management will evaluate current staffing levels to determine the need to add additional staff.

**(See Area for Improvement #1 on Page 5.)**

**MANAGEMENT SUMMARY: Continued**

- The Risk Management Division is in the process of replacing their Access Database to a customized claims processing system designed to better process and track fleet and general liability claims. This system will eliminate the need to maintain additional spreadsheets currently required to process claims and the information in this system will be reconciled to the Finance System (IFAS) to ensure its accuracy. In addition, the system will be maintained by the Information Services Department who will be responsible for tracking changes made to the Database. The Management Team through the Management Action Plan supports the integration of the new software and anticipates its implementation to increase efficiencies in the claims processing function. **(See Area for Improvement #2 on Page 6.)**
- The Risk Management Division has purchased commercial insurance coverage for catastrophic losses. County departments can be better informed on what items are insured and how to communicate potential claims to Risk Management by developing and distributing procedures on this process, as well as developing operational procedures for the processing and collecting of claims. Risk Management is currently in the process of obtaining an updated inventory of buildings and properties currently insured to make certain that these continue to be owned, operated, and properly valued by Manatee County. The Management Team through the Management Action Plan will develop procedures for communicating, processing, and monitoring commercial insurance claims, as well as maintaining a current inventory of buildings and properties. **(See Area for Improvement #3 on Page 7.)**

Other minor findings, not included in this report, have been communicated with management or corrected during the audit. We would like to thank the Risk Management Division's staff for the cooperation and courtesy afforded to our auditors throughout the audit. We appreciate the efforts and timeliness in addressing the issues raised during the audit and aggressively seeking solutions to these matters. We look forward to the Risk Management Division's continued effort on monitoring controls and maintaining accountability over their operations.

**AUDIT REPORT AUTHORIZATION:**

This audit report has been reviewed and authorized by:

---

Richard J. Orienti, CIA, CFE  
Director of Internal Audit

---

R. B. "Chips" Shore  
Clerk of the Circuit Court & Comptroller

**AREA FOR IMPROVEMENT #1.....**

The Risk Management Division's Fleet and General Liability Section is responsible for the processing of claims against Manatee County as well as collecting on claims paid by Risk Management for damages on county property not caused by county personnel (subrogation), claims paid by county departments for damages to county property not caused by county personnel (direct action), and claims paid by county departments for damages resulting from a criminal court order (restitution). The Risk Management Division staff has not been able to dedicate sufficient resources to the fleet and general liability function to meet the demands of this area. As a result, many documentation exceptions were noted during the audit that included processing and procedural errors in the initiating, tracking, and collecting of claims. In addition, some claims have gone unprocessed. According to Risk Management Division, as of September 30, 2005 there were approximately \$60,000 of outstanding subrogation claims and \$113,000 of outstanding property claims that have not been processed.

Inquires with surrounding counties on the Risk Management fleet and general liability functions appear to indicate that Manatee County may have a shortage of staffing resources in this Section. The Risk Management Division currently has one claims adjuster who is responsible for the input, processing, and payment of all fleet and general liability claims, as well as the collection of subrogation and restitution claims. Three of the surrounding counties employ at least three individuals to perform these same functions. By dedicating more resources to the fleet and general liability functions, operations may improve by implementing additional controls for better accuracy of the processed information and by increasing the timeliness of processing and collecting of outstanding claims.

**Management Action Plan:**

The Management Team, through the Management Action Plan, is in the process of reorganizing the duties of the current staff to provide additional resources to the collection of subrogation, direct actions, and restitution claims. In addition, management will evaluate current staffing levels to determine the need to add additional staff. If they determine that additional staff is recommended, management will request this for the fiscal year 2007 budget period.

**AREA FOR IMPROVEMENT #2.....**

The Risk Management Division uses an Access Database to process their fleet and general liability claims. Management has been aware of this Database's limitations and, as a result has contracted the Information Services Department to develop a new customized claims processing software. The current Database's limitations include the need for additional Excel spreadsheets in the processing of subrogation claims. In addition to the inefficiency of dual entry that is required in maintaining both the Access Database and the Excel spreadsheets, these systems are neither reconciled to one another nor to the Finance System (IFAS) to ensure the accuracy and completeness of the information maintained in each of the systems. In addition, the Database does not provide an effective claim processing and tracking system making it cumbersome to follow-up on existing claims and to track the various types of payments made. Furthermore, there is currently no process in place to track changes made in the Database to ensure tampering or manipulation of data does not occur.

**Management Action Plan:**

Management is aware of the Database's limitations and has been working with the Information Services Department developing a new customized claims processing software system that will eliminate the need to maintain additional spreadsheets. Reconciliation between the new system and IFAS will be performed periodically to ensure the accuracy of the two systems. In addition, the Information Services Department will be responsible for maintaining and tracking changes made to this Database. The Management Team, through the Management Action Plan, supports the development of the new software and anticipates its effective implementation by October 1, 2006.

**AREA FOR IMPROVEMENT #3.....**

The Risk Management Division purchases commercial insurance to cover catastrophic losses and liabilities. Commercial policies and related claims processing are contracted through an agent, A.J. Gallagher, under the supervision of the Risk Manager. Internal Audit noted the following areas where improvement can be made:

- A. Formalize the process and develop procedures for identifying, notifying, processing and collecting of claims. County departments can be better informed on what items are insured and how to report potential claims to Risk Management.
  
- B. Formalize the process for obtaining an inventory of buildings and properties insured under the commercial insurance policies. This will ensure these properties covered by the commercial insurance contracts continue to be owned, operated, and properly valued by Manatee County.

**Management Action Plan:**

The Management Team through the Management Action Plan will develop operating procedures for communicating, processing, and monitoring commercial insurance claims and will educate County departments on what properties are insured and how to report claims to Risk Management. These procedures will be developed and implemented by December 31, 2006. Management is also in the process of reviewing and reevaluating all covered properties. Management anticipates this list to be completed by November 1, 2006.



**Manatee County**

**Clerk of the Circuit Court and Comptroller**

**R.B. "Chips" Shore**

P.O. Box 25400 • Bradenton, Florida 34206 • (941) 749-1800 • FAX (941) 741-4082 • [www.clerkofcourts.com](http://www.clerkofcourts.com)

## **MEMORANDUM**

TO: Teddy Williams, County Attorney

FROM: Richard Orienti, Director of Internal Audit

DATE: March 31, 2006

RE: Verbally Discussed Audit Findings – Risk Management Division Ordinance Audit

---

During the exit meeting for the Risk Management Division Ordinance Audit, we informed you that some of the less significant audit findings discussed would not be included in our final audit report. For your convenience, we have enclosed a summary of these findings and our Management Action Plans. While less significant, these findings are important and will be revisited to verify corrective actions have been taken during our follow-up audit.

If you have any questions, please telephone me at extension 4170.

RJO/MDB

Enclosures

cc: James Cooney, the Assistant County Attorney  
Mike Terrell, Safety/Claims Risk Manager

Manatee County Clerk of the Circuit Court  
Internal Audit Department  
Risk Management Division Audit  
Verbally Discussed Audit Findings  
August 31, 2005

---

1. James Cooney, Assistant County Attorney/Claims Manager, is Risk Management Division's dedicated attorney and as such his salary is automatically allocated 50% between the Risk Management administrative cost center and to the County Attorney's Office cost center. In addition he, as well as the other attorneys, bills time directly to the workers' compensation, general liability and auto liability cost centers when working on specific cases. A review of his timesheets for the audit period found that Mr. Cooney (Mr. Leverage prior to Mr. Cooney) spends an average of 5% of his time to the self-insurance administration function. Therefore, the 50% automatic payroll allocation appears excessive.

**Management Action Plan:** Management acknowledges that Mr. Cooney spends an average of 15% of his time on Risk Management and will contact Payroll to make the necessary adjustments by June 30, 2006.

2. The Risk Management Division's current policies and procedures are extremely vague and do not address the more complex issues of claims processing. The auditor found that the procedures needed to include processing standards for subrogation, restitution, denials, 5000 General [unknown claim] File, automobile glass repair, automobile liability, automobile collision and comprehensive, and general liability claims. These standards should include the following information:

- Detail the processing guidelines, timeframes, standards for follow-up, and final notifications;
- Detail the processing guidelines, timeframes, and standards for receipt and disbursement of payments;
- Detail the documentation guidelines for discussions and meetings regarding claims;
- Detail what information needs to be collected prior to subrogation notification being sent to the negligent party;
- Detail what information needs to be included in the subrogation notification;
- Detail the documentation guidelines for discussions, meetings, and court proceedings regarding cases involving restitution;
- Detail what information needs to be received/collected prior to initiating the restitution process. There appears to be a general breakdown in communication between the Risk Management Division and the entities that notify them of a restitution claim. This lack of communication is potentially costing the county an immeasurable amount of recoverable funds;
- Detail what steps need to be taken once restitution notification is received;
- Detail what information needs to be shared among all parties involved in a restitution claim;
- Detail required documentation standards and exceptions for auto glass claims, auto liability, and auto collision claims;
- Detail processing guidelines for receipt of checks that an associated claim file is not identified for (5000 General [unknown claim] File);
- Detail processing guidelines, timeframes, and standards for denials; and
- Approval process for supplemental estimates exceeding 10% of original estimates.

**Management Action Plan:** Management will update their policies and procedures to include the above items by September 2006.

Manatee County Clerk of the Circuit Court  
Internal Audit Department  
Risk Management Division Audit  
Verbally Discussed Audit Findings  
August 31, 2005

---

3. The Risk Management Division has an informally defined standard for processing claims; and it appears that these claims processing standards for "denials" are adequate and appropriately applied. The audit, however, found six instances where closed files were not properly classified as a "denial" in Database.

**Management Action Plan:** Management anticipates with the implementation of the new system that the processing and tracking of claims will have built-in controls to facilitate the follow-up process. Once implemented, management will formalize processing guidelines and update their policies and procedures accordingly. Management anticipates completion by October 2007.

4. County Ordinance 03-47 Section 6E2 specifies "As a condition of automobile coverage, the elected officials shall provide the Risk Management Division a list of all vehicles they wish to have covered under this Ordinance, and will update the listing as requested by the Division." The auditor found that none of the County elected officials had submitted a list to the Risk Management Division, in violation of the County Ordinance.

**Management Action Plan:** Management will request and maintain a listing of all vehicles each County elected official wishes to have covered by the self-insurance fund by June 30, 2006 and will update the list periodically to ensure accuracy.

5. The Risk Management Division has been manually tracking medical payments in their Database using the "notes" section. This does not appear to be an effective, efficient and reliable way to keep track of medical payments to ensure that the amount does not exceed the \$2,500 limit. In addition, the Database does not have the capabilities to capture the medical payments for individuals or medical facilities that have been paid. All payments for all types of claims such as auto repairs, general liability and medical expenses made to individuals or third parties other than Manatee County employees are input in one payment field in the current Database.

**Management Action Plan:** Management anticipates with the implementation of the new system that the processing and tracking of claims will have built in controls to facilitate the follow-up process. Management is aware of the \$2,500 limit on medical payments and will continue to track medical payments manually until such time that the system can compile this information automatically.

6. The Risk Management Division does not have a separate written authorization from the County Attorney prior to making additional medical payments when it exceeded the ordinance limit of \$2,500.

**Management Action Plan:** Internal Audit recommends that the Risk Management Division obtain separate written authorization from the County Attorney prior to making additional medical payments when it exceeds the ordinance limits of \$2,500.

Manatee County Clerk of the Circuit Court  
Internal Audit Department  
Risk Management Division Audit  
Verbally Discussed Audit Findings  
August 31, 2005

---

7. During our test work of subrogation payments received by the Risk Management Division, it was noted the Division processes the payment received in their Access Database and forwards the check with a memo over to the Clerk's Treasury Management Department. The memo informs Treasury Management to deposit the check to the proper account. Since expenses from subrogation may result out of the Risk Management Division or a county department, it is impossible for Treasury Management to know where the money should be deposited without extensive research. If Risk Management had access to IFAS, they would be able to inform Treasury Management the proper account number or complete the proper forms at central cashiering.

**Management Action Plan:** Management will obtain access to IFAS and have staff trained on IFAS by October 2007.

8. During our test work of auto glass claims, it was noted that one claim number is used for all auto glass claims. This, at times, made the audit trail confusing since IFAS did not have the claim information readily available. If the Risk Management Division is going to begin to reconcile to IFAS, it may make the reconciliation process more efficient if unique claim numbers were given to the individual auto glass claims.

**Management Action Plan:** Management will begin assigning unique claims numbers to auto glass claims beginning in October 2006.



**Manatee County**

**Clerk of the Circuit Court and Comptroller**

**R.B. "Chips" Shore**

P.O. Box 25400 • Bradenton, Florida 34206 • (941) 749-1800 • FAX (941) 741-4082 • [www.clerkofcourts.com](http://www.clerkofcourts.com)

## **MEMORANDUM**

TO: Teddy Williams, County Attorney

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

DATE: March 30, 2006

RE: Risk Management Division Ordinance Audit

---

Enclosed is the Internal Audit Report for the Risk Management Division Ordinance Audit as of August 31, 2005. Our Internal Audit Department will perform a follow-up audit on the areas of improvement included in this report, together with those areas identified in the final audit report, to verify implementation of Management's Action Plan.

I wish to thank you and your staff for their courteous and professional cooperation with our Internal Auditors throughout the audit. If you have any further questions regarding this report, please feel free to contact Richard Orienti at extension 4170.

RBS/RJO/MDB

Enclosures

cc: Manatee County Board of County Commissioners  
Ernie Padgett, County Administrator  
James Cooney, the Assistant County Attorney  
Mike Terrell, Safety/Claims Risk Manager



**Manatee County**

**Clerk of the Circuit Court and Comptroller**

**R.B. "Chips" Shore**

P.O. Box 25400 • Bradenton, Florida 34206 • (941) 749-1800 • FAX (941) 741-4082 • [www.clerkofcourts.com](http://www.clerkofcourts.com)

## MEMORANDUM

TO: City Desk Editor, Bradenton Herald  
City Desk Editor, Manatee AM  
Islander Bystander  
Sid Thomas, Editor  
WHNZ, Newsroom  
Longboat Key Observer (Attn: Shay Sullivan)

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

DATE: March 30, 2006

RE: Announcement of the Release of an Internal Audit Report

---

My office is releasing today the Internal Audit Report for the Risk Management Ordinance Audit, which was performed as of August 31, 2005. Copies may be obtained by contacting the Internal Audit Department at (941) 741-4017. Copies of the report can either be mailed or picked up at the County Courthouse room 158.