



Manatee County

Clerk of the Circuit Court and Comptroller

R.B. "Chips" Shore

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MEMORANDUM

To: Ted Williams, County Attorney

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

Date: November 6, 2007

Subject: Risk Management Ordinance Compliance Follow-up Audit #1

The Internal Audit Department has completed the Risk Management Ordinance Compliance Follow-up Audit #1 based on the Clerk of the Circuit Court's Audit Report issued on March 30, 2006. The follow-up consisted of reviewing the management action plans included in the audit report to ensure the Risk Management Division has implemented corrective actions for audit period November 1, 2006 through March 31, 2007.

We are pleased with management's response to issues raised in our original audit report. The Risk Management Division has successfully implemented a new, automated claims processing system in October 2006, which allows the Division to more effectively and efficiently process, track, and report on claims, eliminating the need for additional spreadsheets. In addition, the system also captures costs by payment type enabling Division personnel to ensure that authorization limits are complied with. This claims processing system, developed internally by the Manatee County's Information Services Department, has significantly improved the Division's operations.

Management has addressed all of the areas where improvements were recommended; however, a few areas still require management's attention. During the September 14, 2007 meeting, your management staff together with the Internal Audit Department staff, agreed on the following action plan:

1. The Risk Management Division purchases commercial insurance to cover catastrophic losses and liabilities. While the number of claims processed in the past have been small, the dollar amount can be significant. Internal Audit noted that only one person continues to be responsible for identifying, notifying, processing, and collecting commercial claims and the process for filing these claims are manual and not included in the claims processing system. While there were no commercial claims filed during the five-month audit period ending March 31, 2007, County departments have not been formally provided with a list of insured properties and how to report potential claims to Risk Management. Management currently relies on an informal system using County employees to notify Risk Management of potential property claims.

Management Action Plan: Management will formalize the notification process by including in the County's Intranet a list of the commercial insurance policies, policy limits, and deductibles including the procedures for filing a commercial insurance claim. In addition, the Division's policies and procedures will be updated to include the process for identifying, notifying, processing, and collecting on commercial insurance claims using their claims processing system. Management anticipates implementation by March 2008.

2. The claims processing system tracks payments made on claims for auto repair, medical expenses, and/or settlements. When the check is physically cut, the Finance System (IFAS) records the payment made out of the Risk Management cost center. Currently, the claims processing system and IFAS are not reconciled for payments made and accuracy of claim information. Such reconciliation between the two systems could identify differences and allow for the necessary adjustments to ensure consistency between the two systems. This will also ensure that the reports generated by the claims processing system and relied upon by the Division's management and the Financial Management Department are accurate.

In addition, recoveries received on subrogation claims that are sent to the Clerk of Circuit Court's Finance Department currently do not contain the IFAS account numbers that the funds are to be deposited to. The lack of an account number could potentially lead to funds being deposited in the wrong accounts. With IFAS training, Risk Management will be able to include the account numbers on recoveries received and be better able to research when checks are processed and physically paid when inquiries are requested from outside parties.

Management Action Plan: Management is committed to reconciling IFAS to the claims processing system to ensure accurate reports are generated by the claims processing system and is in the process of obtaining the necessary IFAS training to accomplish this task. In addition, management will also begin to include account numbers on all payments received and deposited with the Clerk's Finance Department to ensure proper posting to IFAS accounts. Implementation is expected by March 2008.

3. The Risk Management Division has set dollar limits regarding the authorization for the settlement of claims in their policies and procedures. Claim payments were tested to ensure that these authorization limits were complied with. It was noted during the testing that such authorization limits were not being applied for auto repair claims. Risk Management did not believe a "repair" was considered a "settlement of claim" and therefore, was not applying the authorization limits.

Management Action Plan: Management reevaluated the wording of the policies and procedures and concluded that such authorization limits will apply regardless of the type of claim payment made. Management will apply these authorization limits on all claims paid from this point forward.

4. Subrogation letters are initiated when Risk Management pays a claim of loss for an incident involving a County employee and/or vehicle when an outside party is at fault. The new claims processing system has a feature that allows Division personnel to input the date that subrogation letters are sent to the at-fault parties or their insurance companies. The system also allows Division personnel to input a date for follow-up on subrogation claims and, when that date arrives, the system will automatically notify Division personnel. During the follow-up audit, it was noted that these features were not always used. Staff confirmed that while an effort is made to input the date the subrogation letters are sent, the follow-up feature is not being used.

In addition, the timeliness of the input of subrogation claims into the claims processing system could not be determined. Risk Management does not date-stamp when the subrogation claims are received, and therefore an analysis could not be made on the timeliness of input. A date-stamp on claims received will help identify whether delays are caused by County Departments not submitting their incident reports to Risk Management timely or whether Risk Management does not input the claims timely.

Management Action Plan: The Risk Management Division has obtained an additional person to assist in the input of claims into the claims processing system. Management anticipates that subrogation claims can now be effectively managed and the tools available in the claims processing system will be used to ensure timely input and follow-up of subrogation claims. In addition, incident reports will be date-stamped when received into the Risk Management Division to ensure the County Departments are submitting their incident reports in a timely manner and in accordance with County policy. Implementation is expected by January 2008.

5. Risk Management receives court-ordered compensation for loss, damage, or injury caused by a defendant's civil or criminal action. This restitution process involves communication between Risk Management personnel and the State Attorney's Office. The process begins with the State Attorney's Office submitting a Victim Impact Statement to the Risk Management Division, together with the incident report. These reports give the Division the necessary information to initiate a claim and allow for proper follow-up. Testing found that the State Attorney's Office does not always send the incident report. The Victim Impact Statement does not give the Risk Management Division enough information to record the claim in the claims processing system or seek dollar amounts for the damages caused. Due to the limited number of restitution claims, the restitution process has been a low priority in the Division's workload.

Management Action Plan: The Risk Management Division has obtained an additional person to assist in the input of claims into the claims processing system. Management has stated that in the last month, communication with the State Attorney's Office has improved and incident reports are being received together with the Victim Impact Statements. Management is in the process of documenting the required procedures for restitution claims and will add this to their current policies and procedures. Development of these procedures is expected by March 2008.

We would like to thank you and your staff for the attention given to the audit findings and the cooperation given to the Internal Audit staff. Another follow-up audit will be scheduled after the implementation of the Management Action Plans.

RBS/RJO/MDB/ALW

CC: Board of County Commissioners
Ed Hunzeker, County Administrator
James Minix, Chief Assistant County Attorney
James Cooney, Assistant County Attorney
Mike Terrell, Risk Management Manager