




CITY OF ORLANDO

Office of Audit Services and Management Support

MEMORANDUM

To: Rebecca Sutton, Chief Financial Officer

From: J. T. Sirak, CPA, Director 
Office of Audit Services and Management Support

Re: Follow-Up Review of the Risk Management Claims and Payments Audit
(Report No. 10-03)

Date: January 27, 2010

Attached is a summary of the status of recommendations as determined from our follow-up review of the Audit of Risk Management Claims and Payments (Audit Report No. 09-03), issued January 27, 2009. Our review procedures consisted of a review of the status of the recommendations provided by the Risk Management Division and the Office of the Chief Financial Officer, inquiries of management, and examination of certain documents.

Our follow-up was made in accordance with generally accepted government auditing standards. The standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives.

Six of the thirteen recommendations contained in the original report have been implemented. Five recommendations are partially implemented, and two recommendations are planned for implementation.

The five partially implemented recommendations are expected to be fully implemented by July 2010 with two now addressed by internal policy and being incorporated into Risk Management processes, one addressed by a newly developed report which will be promulgated to the respective City departments, one being addressed by a management evaluation of fee structure, and one being addressed by a continuing project to integrate the Risk Master system with the City general ledger system. The remaining recommendations, related to charging departmental deductibles and communications of net assets balances to the Risk Management Committee, are planned for implementation by June 2010.

We would like to thank the management and personnel of the Risk Management Division and the Office of the Chief Financial Officer for their cooperation during this follow-up review.

Brian M. Lewis, CPA, Auditor III, performed this follow-up review.

JTS/bml
Attachment

c: Honorable Buddy Dyer, Mayor
Byron W. Brooks, Chief Administrative Officer
Mayanne Downs, City Attorney
Raymond M. Elwell, Deputy Chief Financial Officer
James M. Reynolds, Fire Chief
Raymond F. Scullian, Jr., Risk Division Manager

**REPLY AND IMPLEMENTATION SUMMARY
FOLLOW-UP REVIEW OF THE AUDIT OF RISK MANAGEMENT CLAIMS AND PAYMENTS**

#	RECOMMENDATIONS	RESPONSE	CURRENT STATUS	TARGET/ IMPLEMENTATION DATE	AUDITEE COMMENTS
1.	Risk Management should create and use an operations manual that includes best practices for claims management.	Concur	Partially Implemented	April 2010	Risk Management has developed an internal, general operations procedure which will be updated periodically for field developed best practices.
2.	Risk Management should develop an internal policy and procedure for the proper use of the diary notes feature of the Risk Master software.	Concur	Implemented	October 2009	Risk Management has implemented an internal procedure for the proper use of the diary notes feature in the Risk Master system to document 30 day review of open claims, as well as to document appropriate periodic supervisory review.
3.	Risk Management should discuss with Fleet Management and Accounting how to best streamline and control the process of the payment of vehicle repairs for vehicles involved in accidents.	Concur	Implemented	December 2009	The Risk Division Manager and the Fleet Management Division Manager met December 2009 to discuss and decide on controlling and streamlining the process of vehicle repairs for vehicles involved in accidents. The final documentation of the process developed from this discussion is being developed and reviewed and will be communicated to Accounting.

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4.	After the process is updated, Risk Management should codify in either internal policies or City Policy and Procedures the policy of charging a deductible for the cost of repairs caused by accidents.	Concur	Planned for Implementation	June 2010	Senior Staff is conducting discussions as to both the proper charging of deductibles for the costs of accident repairs and the charging of Risk Management interdepartmental fees (see Response to Recommendation #10).
5.	Finance officials, with Risk Management and Technology Management should work together to fully integrate the claims payments system directly into the JDE system.	Concur	Partially Implemented	July 2010	April 2009 Technology Management, Risk Management, and Finance staff outlined the needed integration and several alternatives were developed, with full implementation planned for Summer 2010.
6.	In the interim, Risk Management should perform a monthly reconciliation of the Risk Master check register to the JDE system to confirm the accuracy of the accounting for the payments authorized.	Concur	Implemented	October 2009	Risk Management is now providing a detail of checks to Finance from the Risk Master system from which entries are made to the JDE system. Finance is performing a monthly reconciliation of the JDE system check disbursements entries to the bank statement(s). Annually, Finance reconciles the Risk Master system check summary report to the JDE system.

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7.	The Chief Financial Officer, with the Chief of Staff, Chief Administrative Officer, and City Attorney, should investigate methods to increase the oversight of the Third Party Administrator for Orlando Fire Department workers' compensation claims.	Concur	Implemented	December 2009	A meeting was held to discuss the oversight of the Orlando Fire third party administrator. Risk Management was tasked with this oversight and a procedure is being put in place (see Recommendation #8).
8.	Once these oversight methods are determined, the entity responsible should investigate all payments of penalties and interest to determine if they were properly handled in accordance with the contract.	Concur	Partially Implemented	February 2010	Risk Management implemented an internal procedure to review claim files of payments made by the Third Party Administrator to ensure compliance with the contract and state law. Random files will be selected for audit by Risk Management Staff at the Third Party Administrator's office monthly. Prior payments are being reviewed.
9.	The Chief Financial Officer should brief the Risk Management Committee annually on the Net Assets of the Risk Management Fund.	Concur	Planned for Implementation	Spring 2010	The CFO will add this agenda item to the Risk Management Committee schedule; briefing will occur after the annual financial report is completed.

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10.	The Chief Financial Officer should evaluate the Risk Management fee structure to continue efforts to effectively manage the Risk Management Fund Net Asset balance.	Concur	Partially Implemented	Spring 2010	After completion of the annual financial report and as a part of the budget preparation process, the CFO will ensure there is a review of the Risk Management fee structure.
11.	The Chief Financial Officer should review and revise the Risk Management process for adding vendors to the Risk Master system to strengthen internal controls.	Concur	Implemented	January 2010	The Risk Division Manager has put in place an internal policy requiring two approvals for any new vendor added to the Risk master system. Once the integration of the Risk Master System with the JD Edwards system is completed (see Recommendation #5) the Finance procedure for adding new vendors will supersede this procedure.

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12	Risk Management should collect, analyze, and report claim, loss and safety to City management to enhance their ability to reduce future losses.	Concur	Partial Implementation	July 2010	Risk Management has developed a report of claim, loss, and safety data, by department with appropriate analysis. The procedure for promulgating and instructing departments in the use of this report in an effective manner to enhance departmental loss reduction is being developed using the business intelligence module of the Risk Master system.
13	Risk Management should develop a process for monitoring receipt of First Report of Incident Forms (DWC-1) to improve compliance with City Policy and Procedures.	Concur	Implemented	January 2010	Workers Comp adjusters are required to document and follow up on DWC-1 Forms to ensure compliance with City P&P. Monthly, a report of non-receipt of DWC-1 is reviewed by supervisory personnel and the appropriate department is contacted for explanation. Additionally, departmental training is being scheduled and a pamphlet has been developed for distribution to City departments explaining the proper reporting of accidents.