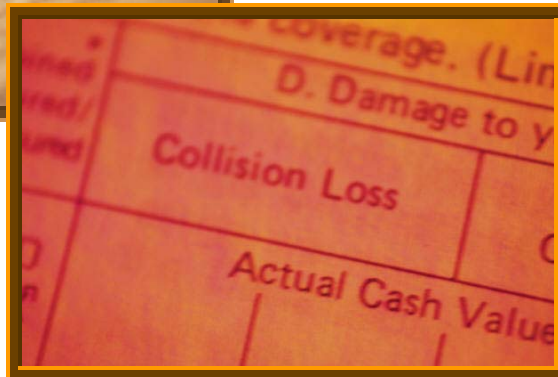
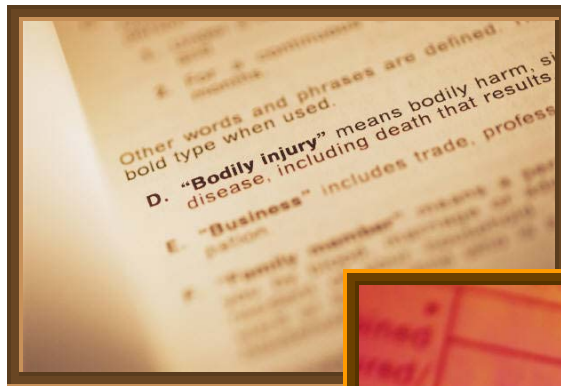


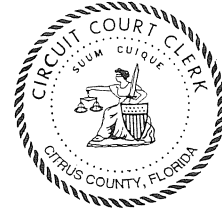
Risk Management Audit
Board of County Commissioners

February 2010



Report by
Internal Audit Division
Clerk of the Circuit Court

Betty Strifler
Clerk of the Circuit Court
Citrus County



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Telephone: (352) 341-6481 / Fax: (352) 341-6491

February 18, 2010

The Honorable Betty Strifler
Clerk of the Circuit Court

Dear Mrs. Strifler:

We have completed the Risk Management Audit for the Board of County Commissioners. The primary purpose of this audit was to evaluate the controls relative to Risk Management's oversight of workers' compensation claims administration and operations.

The audit period covered transactions from October 1, 2007 through September 30, 2008. Several items beyond the scope of the audit period were reviewed. Discussion points regarding this audit are listed, along with recommendations for improvement, and management's responses. Other matters that have no material effect on operations were discussed with Risk Management.

We extend our thanks to Risk Management and County staff, Johns Eastern Company personnel, and the Clerk's Finance Division, for their cooperation and assistance extended during the course of this audit.

Sincerely,

Brenda Fontenot
Internal Auditor

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Abbreviations

BOCC – Board of County Commissioners
FAC – Fixed Asset Clerk
JECO – Johns Eastern Company
RM – Risk Management
RTW – Return-to-Work
TTD – Temporary Total Disability
w/c – Workers' Compensation

EXECUTIVE SUMMARY

The Risk Management (RM) audit conducted in 2005 disclosed control weaknesses in workers' compensation (w/c) claims handling by the third party administrator, and lack of adequate oversight of risk management responsibilities. As a result of that audit, the Board of County Commissioners (BOCC) hired a full-time Risk Manager. Subsequently, RM addressed the deficiencies in the prior audit report, initiated significant enhancements to its operations, and as a result, now functions in a highly effective, professional manner.

During the course of this audit, we observed that the policies, procedures, internal controls and operations of the RM Division tremendously improved. We concluded that the overall operations of the RM Division appear to be in compliance with written policies and procedures and applicable Florida w/c laws. Risk Management's policies and procedures for mitigating risks, including monitoring w/c and liability claims, safety awareness and training, and asset protection, are adequate.

Several opportunities for improvement are identified in this report. Specifically, RM's method for updating the schedule of insured assets should be coordinated with the Clerk's office. We also recommended that personnel with payroll responsibilities receive additional instructions regarding the correct method for coding w/c appointments in the Kronos payroll program. Prior to the issuance of this report, RM implemented IA's recommendations.

BACKGROUND

Risk Management establishes policies and procedures to mitigate risk, loss prevention, develops employee safety programs, monitors w/c and insurance claims, and ensures compliance with the State of Florida w/c laws and regulations. Additionally, RM acts as a liaison between employees, Johns Eastern Company (JECO), and other parties.

In October 2005, the County switched the third party administrator from Preferred Governmental Claims Solutions to JECO. As the third party administrator, JECO provides services for, but not limited to, records maintenance, reviewing, monitoring and analyzing claims, medical payment approval, investigative services for loss prevention, collections of recoveries, case management, and compiling benchmark reports.

The RM Division consists of a Risk Manager and a RM Assistant. Backup support to ensure business continuity is provided by Human Resources staff.

Listed below are some of the successful accomplishments of Risk Management:

- ✦ Established w/c “Drug Free Workplace Program, October 2005, resulting in a 5% reduction in state assessment
- ✦ Revised County’s “Insurance Bid Requirements,” and conducted seminar with County staff and vendors, December 2006
- ✦ Implemented tracking of liability insurance certificates of vendors, and monitoring certificates of insurance
- ✦ Re-established BOCC Safety Council – writing the Mission Statement and Citrus County Workplace Safety Council Program, June 2006
- ✦ Established the Accident Review Team, November 2006
- ✦ Updated replacement cost values on County buildings, and updated insurance inventory of all County assets
- ✦ Instituted on-site investigations of County auto accidents
- ✦ Conducted w/c seminars and implemented numerous on-going training seminars
- ✦ Created and implemented modified/transitional duty return to work (RTW) policy, January 2006, along with instituting benchmarking of workers’ compensation claims to measure policy’s success

The light duty return-to-work program enables County employees' to continue to work during the healing process of their injury. The physician determines if the employee is able to RTW to perform full job responsibilities, to RTW under restricted conditions, or unable to work. If the physician releases the employee to RTW under restricted duties, the County places that employee in any department that has a position meeting the restricted duties limitations.

The success of this policy, coupled with other RM initiatives, can be measured by the data in the table below—indicating an 89% decrease in temporary total disability (TTD) days lost by the end of FY 2009, and a 60% reduction of TTD lost day claims. Likewise, the County experienced a decline in corresponding indemnity payments (benefits paid to employees on TTD)—from \$118,176 in FY 2007, to \$89,446 in FY 2009.

TTD Days Lost					
FY 2007		FY 2008		FY 2009	
# Days	# Claims	# Days	# Claims	# Days	# Claims
1222	17	328	10	132	10
Average # of days		Average # of days		Average # of days	
72		33		19	

Risk Management and JECO have worked synergistically to produce a highly effective, professional service that prioritizes the needs of the County's employees. Measurable benchmarks resulting from their efforts are depicted in the Supplemental Information section of this report.

We attribute the positive changes in Risk Management to the expertise and leadership of the Risk Manager, the aid and dedication of the RM Assistant, a first-rate third-party administrator, and the support of County management.

STATEMENT OF SCOPE AND OBJECTIVES

The scope of this audit primarily covered operations between October 1, 2007 and September 30, 2008. The objectives of this audit were to:

- Evaluate RM oversight of w/c claims administration.
- Evaluate Risk Management's Safety Program.
- Evaluate the effectiveness of the insurance certificate tracking system.
- Determine the adequacy of insurance coverage for the County's fixed assets.

STATEMENT OF METHODOLOGY

To accomplish the objectives of this audit, Internal Audit reviewed extensive documentation of w/c and liability claim files, payments, and other financial transactions, contracts, policies and procedures, Florida Statutes w/c laws, insurance schedules, and other pertinent records. We also conducted site visits, and interviewed RM and JECO staff.

We conducted a random sample of 37 open claims during FY 2008. We reviewed the files for timeliness and accuracy for filing, and compliance with written policies and procedures. We reviewed paid claims recorded in JECO's database to validate accuracy and appropriateness of payments remitted on behalf of County employees.

We reviewed numerous reports and claims handled by JECO. We also reviewed an independent CPA report (SAS 70) outlining JECO's internal controls, processes and procedures regarding claims management. In our opinion, JECO's claims administration and internal controls appear to be adequate.

DISCUSSION POINTS

- 1. During our review of payroll records, we observed that some departments do not always record an employee's workers' compensation hours accurately.**

When an employee is injured and leaves the job to obtain medical treatment, he/she receives full pay for the initial day of injury. The time for which the employee is seeking medical treatment (including travel) should be coded as '*W-Comp Dr Appt*' in the Kronos payroll program. We noted that the Kronos time description was not always correct for the date of the incident. Out of 23 claimants with Kronos payroll information available, 8 claimants' w/c punches were coded correctly, and 15 were incorrect—resulting in a 65% error rate.

RECOMMENDATION:

Inaccurate timekeeping records result in inaccurate management reports and misinformation. Workers' compensation is highly regulated by the State; therefore, it is in the County's best interests that employees' payroll records reflect accurate information.

During the audit, we recommended that RM notify departments regarding the proper method for recording all w/c medical appointments. Risk Management concurred with our recommendation by sending an email with appropriate instructions to those employees who handle payroll.

No further action is required at this time.

- 2. Risk Management is not always notified when the County and other insured participating entities acquire, sell, delete, or change locations of assets.**

Risk Management maintains a schedule of insured assets, and provides quarterly updates of changes, acquisitions, or deletions, to Public Risk Insurance Agency. Risk Management compiles this data from BOCC minutes, communication with the departments/entities, and Cognos reports.

Due to the dynamic nature of this process, data compiled by RM may not be complete. Additionally, RM is duplicating tasks performed by the Fixed Assets Clerk (FAC) in the Clerk's Finance Department. Incomplete or inaccurate information could result in inadequate coverage in case of loss.

RECOMMENDATION:

According to Florida Statute 273.05, the Clerk of the Circuit Court maintains the official records regarding tangible personal property. The FAC processes asset acquisitions, location changes, and deletions on a continual basis, and annually conducts an inventory of each department.

In our discussion with RM, we recommended that the RM Assistant and Finance develop a procedure by which RM is apprised of all capital asset transactions. Exchange of information will benefit both offices in maintaining accurate records, potentially save time in tracking missing information, and mitigate the risk of inadequate coverage.

We also recommended that RM incorporate this process into their procedures manual.

Prior to the release of this report, IA received a copy of RM's memorandum, dated March 22, 2010, to the Fixed Asset Clerk in the Clerk's Finance Department, regarding implementation of these recommendations (see Exhibit A).

Therefore, no further action is required at this time.

Supplemental Information

Johns Eastern Company, Inc. 2009 Benchmark Report
Workers' Compensation – Medical and Indemnity Claims
Paid by Fiscal Year by Division/Department
Loss Dates: 10/1/2006 – 9/30/2009

Figures represent the total paid during year on claims occurring in that year only

Division Name	Department Name	FY 2007	FY 2008	FY 2009
Offices	Human Resources	-	\$ 243.70	-
Offices	Systems Management	-	-	\$ 27.50
Offices	Utility Regulation	-	\$ 434.10	-
Offices	County Administrator	\$ 271.15	-	-
Fire Rescue	Fire Rescue	\$ 27,603.67	\$ 2,418.34	\$ 17,242.18
Public Works	Aquatics	\$ 2,517.65	-	\$ 1,814.85
Public Works	Engineering	\$ 542.05	\$ 700.80	-
Public Works	Solid Waste	\$ 6,180.05	\$ 2,324.06	\$ 1,409.58
Public Works	Public Works	-	\$ 2,538.65	-
Public Works	Road Maintenance	\$ 56,359.32	\$ 74,711.66	\$ 47,823.33
Public Works	Grounds Maintenance	\$ 880.87	\$ 1,842.41	\$ 4,825.17
Public Works	Maintenance Operation	\$ 8,557.92	\$ 8,884.09	\$ 14,331.16
Water Resources	Utilities	\$ 3,788.10	\$ 8,782.81	\$ 261.35
Community Services	Animal Services	\$ 5,036.77	\$ 3,726.64	\$ 19,501.33
Community Services	Housing Services	-	-	\$ 870.26
Community Services	Library Services	-	\$ 1,392.45	\$ 2,488.12
Community Services	Community Support	\$ 24,982.99	\$ 2,827.02	-
Community Services	Extension Services	\$ 905.65	-	-
Community Services	Parks and Recreation	\$ 2,632.00	\$ 608.75	-
Community Services	Community Support Transportation	\$ 1,243.60	\$ 1,211.13	\$ 487.98
Community Services	Com Support and Recreational Program	-	-	\$ 13.75
Development Services	Building	\$ 419.20	\$ 288.65	-
Development Services	Code Compliance	\$ 1,667.61	\$ 9,017.15	\$ 852.35
Development Services	Community Development	-	\$ 719.00	\$ 703.75
Constitutional Officers	Tax Collector	\$ 7,086.86	\$ 145.95	-
Constitutional Officers	Clerk of Courts	\$ 5,617.63	\$ 2,433.14	\$ 2,426.64
Constitutional Officers	Property Appraiser	\$ 16,016.29	\$ 1,929.80	\$ 770.75
Constitutional Officers	Supervisor of Elections	\$ 1,095.95	-	-
Office of Fleet and Transportation	Fleet	\$ 317.59	\$ 12,115.57	\$ 13.75
Totals		\$173,722.92	\$139,295.87	\$115,863.80

**Johns Eastern Company, Inc. 2009 Benchmark Report
Workers' Compensation – Medical and Indemnity Claims
Count by Division/Department
Loss Dates: 10/1/2006 – 9/30/2009**

Division Name	Department Name	FY 2007	FY 2008	FY 2009	Total
Public Works	Road Maintenance	29	11	8	48
Fire Rescue	Fire Rescue	22	8	10	40
Community Services	Animal Services	8	11	9	28
Public Works	Solid Waste	14	5	4	23
Water Resources	Utilities	10	10	2	22
Public Works	Maintenance Operations	5	6	9	20
Community Services	Community Support	5	8	0	13
Constitutional Officers	Clerk of Court	7	2	4	13
Public Works	Grounds Maintenance	2	4	5	11
Community Services	Community Support Transportation	3	3	2	8
Constitutional Officers	Property Appraiser	2	5	1	8
Community Services	Parks and Recreation	6	1	0	7
Public Works	Aquatics	4	0	3	7
Community Services	Library Services	0	3	3	6
Development Services	Code Compliance	2	2	2	6
Constitutional Officers	Tax Collector	4	1	0	5
Development Services	Building	3	1	0	4
Community Services	Extension Services	2	1	0	3
Development Services	Community Development	0	2	1	3
Office of Fleet and Transportation	Fleet	1	1	1	3
Public Works	Engineering	1	2	0	3
Constitutional Officers	Supervisor of Elections	2	0	0	2
Offices	Systems Management	0	0	2	2
Community Services	Com Support and Recreational Program	0	0	1	1
Community Services	Housing Services	0	0	1	1
Offices	County Administrator	1	0	0	1
Offices	Human Resources	0	1	0	1
Offices	Utility Regulation	0	1	0	1
Public Works	Public Works	0	1	0	1
Totals		133	90	68	291

Johns Eastern Company, Inc. 2009 Benchmark Report
Auto / Auto Physical
Paid by Fiscal Year by Division/Department
Loss Dates: 10/1/2006 – 9/30/2009

Figures represent the total paid during year on claims occurring in that year only

Division Name	Department Name	FY 2007	FY 2008	FY 2009
Fire Rescue	Fire Rescue	\$ 23,577.58	\$ 1,233.05	\$ 117.00
Public Works	Engineering	\$ 1,939.58	-	-
Public Works	Solid Waste	\$ 128.00	\$ 2,401.80	-
Public Works	Road Maintenance	\$ 8,735.65	-	\$ 332.00
Public Works	Grounds Maintenance	-	\$ 12,800.66	-
Public Works	Maintenance Operations	-	-	\$ 14,510.00
Water Resources	Utilities	\$ 839.28	-	\$ 1,819.74
Community Services	Animal Services	-	-	\$ 3,534.21
Community Services	Library Services	-	-	\$ 93.70
Community Services	Community Support	-	\$ 2,180.68	-
Community Services	Tourism Development	-	-	\$ 2,730.00
Community Services	Community Support Senior Centers	\$ 1,629.42	-	-
Community Services	Community Support Transportation	\$ 1,505.25	\$ 765.00	\$ 1,545.08
Development Services	Code Compliance	-	\$ 108.00	-
Development Services	Community Development	-	-	\$ 432.70
Totals		\$ 38,354.76	\$ 19,489.19	\$ 25,114.43

Johns Eastern Company, Inc. 2009 Benchmark Report
Auto / Auto Physical
Count by Fiscal Year by Division/Department
Loss Dates: 10/1/2006 – 9/30/2009

Division Name	Department Name	FY 2007	FY 2008	FY 2009	Total
Public Works	Road Maintenance	12	13	7	32
Community Services	Community Support Transportation	7	2	4	13
Water Resources	Utilities	3	4	2	9
Fire Rescue	Fire Rescue	4	2	2	8
Public Works	Engineering	3	1	0	4
Community Services	Parks and Recreation	2	1	0	3
Public Works	Grounds Maintenance	1	2	0	3
Public Works	Solid Waste	2	1	0	3
Community Services	Animal Services	0	0	2	2
Community Services	Community Support	0	2	0	2
Community Services	Tourism Development	0	1	1	2
Development Services	Code Compliance	0	2	0	2
Offices	Commissioners	2	0	0	2
Community Services	Community Support Senior Centers	1	0	0	1
Community Services	Library Services	0	0	1	1
Development Services	Community Development	0	0	1	1
Public Works	Maintenance Operations	0	0	1	1
Public Works	Public Works	0	1	0	1
Totals		37	32	21	90

Citrus County Board of County Commissioners



Office of Risk Management

3600 W. Sovereign Path Suite 180

Lecanto, FL 34461

(352) 527-5363 Fax (352) 527-5300

Date: March 22, 2010
To: Julie Pitts, Fixed Asset Clerk
From: Michelle Hutman, Risk Assistant *mh*
Re: Asset Reporting Policy for Risk Management

It is recommended by the Risk Audit dated February 2010 page 7 of the following:

We recommended that the RM Assistant and Finance develop a procedure by which RM is apprised of all capital asset transactions. Exchange of information will benefit both offices in maintaining accurate records, potentially save time in tracking missing information, and mitigate the risk of inadequate coverage.

We also recommend that RM incorporate this process into their procedures manual.

Based on our discussion, we both agreed:

Asset Reporting Policy for Risk Management, a monthly report via e-mail to the Risk Assistant for tracking the County assets for updates, changes, deletions etc. provided by the Fixed Asset Clerk.

Risk Management will then report the necessary updates if needed to the insurance company, as well as, update the Risk Management's Schedule of Value for tracking.

The Asset Reporting Policy for Risk Management will be incorporated into the Risk Management Procedure Manual.

If you have any questions or concerns, please give me a call at 5363.

cc: William Bryan, Risk Manager
Brenda Fontenot, Clerk of Court, Internal Auditor
Risk Management Procedure Manual

EXHIBIT A