

**Board of County Commissioners
Risk Management Services
Audit Report**

January 2005

**Report by
Internal Audit Division
Clerk of the Circuit Court**

Betty Strifler
Clerk of the Circuit Court
Citrus County



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January 31, 2005

The Honorable Betty Strifler
Clerk of the Circuit Court

Dear Mrs. Strifler:

I have completed the Board of County Commissioners' Risk Management Audit. The purpose of this audit was to evaluate internal controls within the Risk Management Self-Insurance Program, determine procedures for procurement and payment processing by the workers' compensation third party administrator, determine if claims by the County against other parties are pursued in a reasonable manner, determine the degree of monitoring and compliance with County policy regarding employees who drive County vehicles, and to determine if procedures for recording and maintaining a list of insured assets and their insurance coverage are adequate.

The period audited was October 1, 2002 through May 31, 2004. Several items beyond the scope of the audit period that were reviewed are included. Discussion points and recommendations, along with Management's responses, are listed. Other minor matters were noted, but have no material effect on operations.

I appreciate the spirit of cooperation of the staff of Risk Management (RM), the Assistant County Administrator, Office of Management and Budget (OMB), Human Resources (HR), and Preferred Governmental Claim Solutions (PGCS), the third party administrator.

Brenda Fontenot
Internal Auditor

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EXECUTIVE SUMMARY

I have conducted the Board of County Commissioners' Risk Management audit. The audit included a review of internal controls and workers' compensation (w/c) and liability claims files within the Risk Management office, review of the County driving policy and pertinent motor vehicle reports, a comparison of the County's fixed assets reports to the insured assets list, interviews with Risk Management staff, Human Resources staff, an examination of disbursements of workers' compensation claims, and on-site reviews of claim files at the offices of Preferred Governmental Claim Solutions (PGCS), the third party administrator for managing workers' compensation claims. The audit period encompassed operations from October 1, 2002 through May 31, 2004.

BACKGROUND

The Risk Management (RM) office assumes the overall responsibility of administering the County's Risk Management program. Risk Management's efforts result in promoting workplace safety and health, and minimizing the County's exposure to risk. To achieve this end result, Risk Management's numerous tasks include (but are not limited to) advising management in formulating safety policies, reviewing administrative policies and making appropriate recommendations, identifying potential areas of loss exposure to minimize or eliminate loss, implementing employee training and safety programs, conducting safety inspections, enhancing existing accident and loss control programs, reporting and coordinating claims, overseeing the daily operations of the RM office, and providing technical expertise in all matters related to the insurance industry and applicable State and Federal regulations.

The County has employed four Risk Managers since 1995. When the Risk Manager resigned in January 1999, the position remained open for seven months. The following Risk Manager filled the position for seven months. The third Risk Manager was hired in September 2001, and left in January 2002. The fourth Risk Manager filled the position from June 2002 – September 2003. Due to the turnover and periods of vacancies, certain areas of Risk Management policies and programs were not adhered to. As a result, some findings of this audit are directly related to the absence of a Risk Manager.

According to the Board Minutes, on April 27, 2004, the County entered into a service agreement with Arthur J. Gallagher & Co. (Florida) (AJG) in which AJG shall provide risk management consultant services with Barbara Flynn serving as the County's Risk Manager, for a period of 24 months, with an option for three 12-month extensions. A prior agreement with AJG was approved by the Board on October 3, 2000 for risk management services for a one-year term, subject to a 30-day

cancellation, for \$12,000. Along with providing risk management consultant services on behalf of AJG, Barbara Flynn (henceforward referred to as Risk Manager) has performed duties for the County in the areas of crisis management/consultant since 1998.

In addition to the contracted Risk Manager, the RM office employs a full-time Risk Management Assistant, and utilizes temporary backup provided by the Assistant County Administrator's office.

During FY 03-04, Gallagher Bassett Services, Inc. (GBS) administered the County's property and casualty claims administration. The property/casualty insurance program package included property, general liability, automobile liability, automobile physical damage, excess property, and excess liability. Claims for the County's boiler and machinery, airport premise liability, public officials and employment practice liability, lawyer's professional liability, employee dishonesty/crime, and airplane/t-hangar property are handled by County Risk Management directly with the designated insurance carrier, assisted by the County's insurance broker. The County's Workers' Compensation is a self-insured retention program, with claims handled by a third party administrator, Preferred Governmental Claim Solutions (PGCS). Self-insured retentions under Safety National Insurance are \$350,000 for general employees and \$400,000 for Firefighters, with a buffer buyback under the County's United National Insurance Company program of \$100,000; thus reducing the per-claim, self-insured retention for general employees to \$250,000 and \$300,000 for firefighters.

Citrus County workers' compensation claim payments disbursed by PGCS during FY 02-03 and FY 03-04 totaled \$652,698.74, and \$543,330.16, respectively. The chart in Exhibit A represents workers' compensation payments since 1994, with the subsequent costs allocated by category to the fiscal year in which the accidents/injuries occurred.

OBJECTIVES

The objectives of this audit were to:

- Evaluate procedures for claims processing and payment transactions.
- Determine adequacy of internal controls within the Risk Management Self-Insurance Program.
- Determine if claims by the County against other parties are pursued in a reasonable manner.
- Determine the degree of monitoring and compliance with policy regarding employees who drive County vehicles.
- Determine if the procedures for recording and maintaining a list of insured assets and their insurance coverage are adequate.

The audit is a tool to assist management in the evaluation of the organization's internal controls, established policies, procedures, and operations. This audit is not designed to appraise the performance of management.

SCOPE AND METHODOLOGY

The scope of this audit included reviewing and testing randomly-sampled workers' compensation and liability claims files, accident/incident reports, check disbursement registers and reports generated by PGCS, financial records, claim file logs, motor vehicle reports, reimbursements to the County, and fixed assets reports.

Interviews were conducted with the contracted Risk Manager, Risk Management Assistant, the Human Resources Director and Human Resources Assistant, and the staff at the Preferred Governmental Claim Solutions office.

DISCUSSION POINTS & RECOMMENDATIONS

Preferred Governmental Claim Solutions, Workers' Compensation Third Party Administrator (TPA)

- 1. The Third Party Administrator incorrectly billed the County on eleven invoices during the audit period.**

The contract with the TPA outlines the fees for monthly service at \$1250. Fees for processing "medical only" (MO) claims are \$140 each, and \$500 for "lost time" (LT) claims. If a claim is originally billed as MO, and subsequently converts to LT, the initial charge of \$140 is credited against the \$500 LT charge, resulting in an additional fee \$360. Invoices are submitted to Risk Management, with an Employer's Report, itemizing claim activity. RM reviews, approves, and routes through the Assistant County Administrator, then to Finance for processing. Examination of 27 invoices for the months of October 2002 through May 2004 revealed overcharges on ten invoices, totaling \$3,060, which reflects a 40% error rate on the sample. The eleventh invoice under billed the County \$360 for a claim converted from MO to LT (Exhibit B).

The Accountant at PGCS indicated in November 2004 he would investigate the validity of these charges. To date, no response has been received.

RECOMMENDATION

Risk Management should pursue reimbursement of \$2,700 in overcharges. The invoices from June 2004 through September 2004 should also be examined to determine billing accuracy. The Service Agreement with PGCS, approved by the Board on September 28, 2004, for the year beginning October 1, 2004 and ending September 30, 2005, modified the billing structure from an administrative fee and “per claim” charge to a flat rate monthly fee of \$3000. This change eliminates the need to scrutinize monthly invoices after September 2004 for “per claim” billings.

2. Employee wage statements are not provided to the TPA within 14 days after knowledge of the accident.

According to the Division of Workers’ Compensation, an employer’s responsibility is to “complete and provide a wage statement form to your carrier for any employee who is entitled to wage replacement benefits, within 14 days after knowledge of the accident” that has caused an employee to be disabled for more than 7 calendar days.

A review of 20 “lost time” claims disclosed that only 20% of the wage statements were prepared within the required time frame. The date of accident and day one of lost time dates appear to be incorrect on one wage statement (Exhibit C).

Currently, PGCS initiates the request for the average weekly wage (AWW) statement upon receipt of the Notice of Injury and/or when they discover the employee is out of work. Once RM receives PGCS’ request for the AWW, the Risk Management Assistant partially completes the form, then forwards to the Payroll Clerk. Payroll returns the completed AWW to RM, which is then faxed to PGCS.

If PGCS has not received a wage statement, temporary total (TT) & temporary partial (TP) workers’ compensation (w/c) benefits payments are calculated using the employee’s hourly wage (or salary) reported on the First Notice of Injury. Delays in receiving a wage statement have resulted in under/overpayments to the employee (Discussion Point #4).

RECOMMENDATION

A request for completion of a wage statement should be submitted by RM to Payroll as soon as an employee is paid disability leave by the County (Employee Handbook, page 41). The wage statement should then be prepared and forwarded to RM for processing to PGCS for use in calculating any subsequent temporary total (TT) or temporary partial (TP) w/c benefits payments due the employee.

Expediting this process will contribute in reducing or eliminating inaccurate under/overpayments to employees.

3. Several workers' compensation payments were incorrectly calculated by PGCS.

According to Florida Statute 440.14, the injured employee's average weekly wages (AWW) for the previous 13 weeks on the date of the accident will be used to compute the payments for temporary total and temporary partial benefits. Temporary total (TT) benefits are paid at 66²/₃% of the AWW when an injury prevents the employee from returning to work and the employee has not reached maximum medical improvement (MMI). Temporary partial (TP) benefits are paid at the rate of 64% when the doctor releases the employee to return to work, and the employee has not reached MMI and earns less than 80% of the pre-injury wage. If an employee is released by the physician to return to work on a "light duty" status only, and there is no light duty available for that particular position, the employee remains off the job. The County pays TP benefits to the employee until such time he/she is released to return to work full duty.

The following is a breakdown of 64 payroll records that were inspected for comparing time sheet data to workers' compensation data:

- a. 10 claims - County disability leave payments (up to 40 hours)
- b. 1 claim - not w/c related
- c. 31 claims – no lost time, or paid regular pay for date of accident
- d. 22 claims - paid TT or TP benefits

Recalculation of 20 of the 22 employees receiving TT or TP benefits revealed a 90% error rate-- 13 overpayments and 7 underpayments due to:

- a. Employees' beginning dates for w/c benefits and return-to-work dates did not match the dates paid by PGCS.
- b. PGCS calculated w/c benefits checks using the employee's hourly wage, and did not amend the payments when the AWW statement was received.
- c. The AWW statement was not used by PGCS.
- d. Worker's compensation benefits checks issued in advance for a two-week period resulted in an overpayment when the employee returned to work during that time.
- e. Calculations for w/c benefits payments for one employee did not match the hourly wage or the AWW calculation.

A request was made to PGCS for further clarification on 6 of the 20 cases, but no response has been received to date.

As discussed in Item 2, if PGCS has not received a wage statement of the employee's prior 13 weeks' wages, the TT and TP w/c benefits payments are calculated on the wage/salary listed on the First Notice of Injury. Once a wage statement is received by PGCS, the TT or TP payments should be adjusted to reflect the correct compensation, which is based on the average 13-weeks' wages. However, if the employee has returned to work prior to PGCS receiving a wage statement, and w/c benefits payments have ended, it is not possible to make the necessary adjustments.

RECOMMENDATION

RM should verify calculations of TT and TP w/c benefits payments, as well as the period of time for each w/c benefits check. If payments are incorrect, RM should request PGCS to amend subsequent w/c benefits checks for the over/under payment. If the employee has returned to work on a full duty status, and no further w/c benefits checks are due, RM should coordinate with PGCS the method of collecting overpayments, or remitting underpayments to employee.

4. Information on the PGCS check register is incorrect.

Payees on checks do not match the names listed on the PGCS check register.

Check No.	Date	Payee on Check	Payee on PGCS Register
9780	10/07/02	AnciCare PPO	CorVel Corporation
10168	1/08/03	AmeriSys, Inc.	Brown & Brown, Inc.
10431	3/24/03	Wm, Bernhart, MD	Citrus Emergency Svcs.

Dates of service for several claims are incorrect. It appeared that one check, dated 3/10/03, for \$602 was remitted three years after a claim had been settled for \$220,750 on 5/22/00. An inquiry to the Independent Claims Unit Supervisor disclosed the dates 2/2 – 2/8/02 were incorrect, and should have been 2/2 - 2/8/00.

It appeared that duplicate payments were made on another claim, based on the dates of service. On 11/18/04, the Claims Adjuster at PGCS indicated the dates on the register were incorrect and she would make the necessary corrections. Several requests for the corrected information have been made; however, no response has been received.

If the above payees, including other providers, use alternate names, the PGCS check register should so indicate, and should also contain a notation if the PGCS register was modified or corrected.

Since the workers' compensation program is highly regulated by the State, it is imperative that records reflect accurate information. Client files maintained by PGCS should contain reliable data.

RECOMMENDATION

PGCS should ensure that adequate controls are in place to prevent alteration of payee names on checks and/or reports.

5. The bank reconciliation for workers' compensation payments carried outstanding checks for four years.

A check is considered stale if it has not cleared the bank after six months from issue date. The May 31, 2004 bank reconciliation listed ten stale checks, totaling \$26,563.73. The six checks issued in 2000 should have been reported in the Abandoned Property Report after two years. Settlement checks for \$15,000 and \$10,000, issued to a law firm on June 25, 2003, cleared the bank on July 6, 2004. Uncashed checks are subject to fraudulent activity, and there is an increased likelihood of duplicate payments. Bank reconciliation reports were provided to PGCS, but no inquiries were made regarding these checks that were carried forward for four years until a change in Bookkeeping staff in 2004.

RECOMMENDATION

Copies of the bank reconciliation should continue to be provided to PGCS for review and reconciliation with their reports. Risk Management should receive a copy in order to track the status of outstanding checks and coordinate efforts with PGCS regarding uncollected claims payments.

6. A check issued by PGCS for \$7,733.90 to CorVel Corporation cleared the bank without any signatures, even though the check contains the statement, "\$2,500 and over requires two original signatures."

Weak internal controls regarding check handling and processing could lead to fraudulent activity.

RECOMMENDATION

PGCS should review their internal controls on check handling policies and procedures and revise, if necessary, to ensure that all checks are signed by authorized personnel.

7. Copies of invoices in PGCS files were missing.

A review of 41 files at PGCS during a site visit on November 18, 2004 revealed missing invoices in 10 files—7 of which were for CorVel Corporation, 2 for medical providers, and 1 for Parliamentary Reporting.

One of the files contained the invoice for check number 11999, remitted to Parliamentary Reporting on April 30, 2004 for service date April 5, 2004. A second check, #12000, was remitted to Parliamentary Reporting on April 30, 2004, for service date April 5, 2004; however, there was no supporting invoice. Without the supporting documentation, the appropriateness of the second payment could not be determined.

RECOMMENDATION

Good internal controls provide for proper documentation of paid bills. PGCS should ensure that copies of invoices are retained in the files.

Risk Management

8. There is not an adequate segregation of duties for processing claims and receiving insurance proceeds.

The Risk Management Assistant processes workers' compensation and liability claims, receives accident/ incident reports, receives insurance proceeds and insurance loss run reports. Good business practice requires a separation of duties in maintaining proper internal controls for authorizing transactions and receipt activities.

RECOMMENDATION

In order to achieve segregation of duties, the processing of claims and receipt of insurance proceeds should be assigned to separate individuals. Consideration should be given to assigning the opening of mail and recording receipt of insurance proceeds to the RM Assistant's backup.

9. Workers' compensation log "lost work days" and time sheet entries do not match.

The workers' compensation log contains basic information about the employee's incident/accident--claim number, date of accident, name, occupation, area, lost work, lost work days, restricted work, medical claim, return to work date, status, open, and incident only. Data extracted from the log should render an accurate snapshot of claim activity. However, a comparison of the log data to 13 employees' timesheets revealed discrepancies.

RECOMMENDATION

Risk Management should follow up with Supervisors and the Payroll Clerk to ensure that timesheet information and the workers' compensation log entries are identical. Closer scrutiny would prevent coding errors on the time sheets, thereby ensuring accurate data for payroll and workers' compensation reports.

10. Payroll is not always notified when an employee has a w/c medical appointment or is on disability leave.

An employee was paid 32 hours of vacation pay, while receiving temporary total w/c benefits from workers' compensation. If the employee qualified for the Family Medical Leave Act (FMLA), the maximum vacation time allowed would have been 2 ½ hours per day. Since there was no FMLA paper work, the leave should have been LWOP.

Another employee's timesheet, coded 7.25 hours for administrative leave, should have been input as w/c doctor appointment.

RECOMMENDATION

Discussions with the Payroll Clerk revealed that she often must call the departments to obtain copies of the First Notice of Injury, after she has reviewed the time input by the Supervisors and observes that an employee has been paid for County disability leave.

A copy of the First Notice of Injury should be provided to Payroll by RM, since RM usually receives the First Notice of Injury within the first day or two of the incident. The Payroll Clerk could then check the time input by the Department Supervisor for accuracy regarding County disability leave and w/c medical appointments and make necessary adjustments prior to issuance of the payroll check. Preliminary review of the timesheets might prevent occurrences of employees being paid incorrectly.

The RM Assistant and the Payroll Clerk discussed the difficulty in tracking employees' w/c medical appointments. To alleviate this situation, RM has requested that PGCS provide a weekly schedule of employees' medical appointments, which will aid RM and the Payroll Clerk in maintaining more accurate records.

11. A disability leave reimbursement request was sent to Payroll approximately three months after employee returned to work.

When an employee sustains a workers' compensation injury, the County will pay up to 40 hours of disability leave at the employee's regular wage. If the employee is unable to return to work after seven consecutive days from the date of injury, he/she is then paid temporary total w/c benefits (2/3 of average weekly wages) or temporary partial w/c benefits (64% of average weekly wages) until the doctor releases the employee to return to work. If the employee is out more than 21 consecutive days, the TPA will then reimburse the employee for the first week of work that was missed at the 2/3 rate.

Upon returning to work, the employee must reimburse the County for the amount of workers' compensation benefits that were paid for the first week.

RECOMMENDATION

Standard policy and procedure should be to immediately request reimbursement of funds owed by employees upon their return to work. If reimbursement is delayed, collection could be difficult and time consuming if employee quits or is terminated.

12. There was no centralized insurance certificate tracking system.

A discussion was held with the contracted Risk Manager regarding tracking insurance certificates, who stated that some of the certificates did not meet the bid requirements, and occasionally, a certificate was requested after a contract had been awarded. The Risk Manager stated that, during the audit period, approximately 50% of the bids were reviewed. Additionally, within the next year, a certificate tracking and approval system would be handled through the RM office.

By implementing this system, the responsibility for obtaining insurance certificates will be that of the RM Office, and not the various departments/divisions.

RECOMMENDATION

All contracts, lease agreements, projects, special events, etc., should be reviewed to determine that certificates of insurance are up-to-date, and that the County is listed as the additional insured. Continue to develop a tracking system for implementation to prevent potential exposure to financial loss if the County or a third party vendor is not adequately insured.

13. There was no rehabilitative duty program available in all departments/divisions in which injured employees could participate.

A rehabilitative duty policy enables an injured employee to be temporarily assigned to perform work duties other than normal work assignments. If the department does not have the capability to offer "light duty," the employee cannot return to work, and continues to receive temporary partial w/c benefits. A total of \$ 29,361.79 in temporary partial benefits was paid to 19 employees during the audit period. Not only are funds disbursed for the employee, but additional expenses may be incurred if the pre-injury position must be temporarily filled by a casual laborer, or overtime must be paid to another employee in order to manage the work load.

RECOMMENDATION

The Risk Manager indicated in the preliminary stage of the audit that one of RM's goals for the County was to create a rehabilitative duty policy so rehabilitating employees could return to work on a "light duty" basis when directed by the physician. The County should implement a rehabilitative duty program to enable the employee to return to work sooner, which will save the County additional funds.

Cross-departmental rehabilitative duty should be considered when the employee's regularly assigned department is unable to provide "light duty" work. Once the physician releases the employee to "full duty" status, the employee can then return to his/her regular position.

14. There has been no Safety Management Team since September 2001.

The Risk Manager indicated that a Safety Management Team has not been in place since approximately September 2001. During the audit period, there was no County-wide effort involving representatives from the various departments and divisions to review and monitor the types of accidents to develop accident prevention strategies, and perform safety inspections. The County's modification factor has risen steadily from 1.09 to 1.72 within the last few years. It would seem reasonable to establish a correlation, in part, between the rising modification factors and the lack of a Safety Management Team.

RECOMMENDATION

The Risk Manager and Auditor discussed Risk Management's reorganization, and upcoming goals--one of which was establishing a Safety Management Team in FY 2005. Management should also consider incorporating a "Disability" Management element into the Safety Management Team, to evaluate the status of employees on w/c leave or "light duty," and coordinate the Rehabilitative Duty program on a County-wide level. RM should also consider establishing Safety Committees in each department/division that does not currently hold safety meetings. All department/division safety committees could meet on a monthly basis, and prepare meeting minutes for the Safety Management Team. A proactive "safety awareness" philosophy throughout the County departments/divisions could reduce injuries, accidents, and safety violations.

SERVICE AGREEMENTS

15. There was no Board-approved Service Agreement Renewal with PGCS for the year beginning October 1, 2003 and ending September 30, 2004.

Commission Records indicate the last Board-approved renewal agreement during this audit period was Item #3-SS, presented to the Board on July 23, 2002 for the year beginning October 1, 2002 through September 30, 2003. According to the Risk Manager, the agreement between the County and PGCS for the year beginning October 1, 2003 through September 30, 2004 was automatic, month-to-month, with no cost increases. Section IV, AGREEMENT, Paragraph I, Entire Agreement and

Modification or Amendment, of the Service Agreement by and between Citrus County BCC and Preferred Governmental Claim Solutions states the Agreement may be modified or amended only by a written statement.

According to those terms, the agreement does not automatically renew on month-to-month basis.

RECOMMENDATION

Ensure that future service agreement renewals with the TPA are submitted to the Board for approval in a timely manner. Contracts should also be reviewed by the County Attorney. The current service agreement renewal with the TPA was Board-approved on September 28, 2004.

16. The FY 03-04 contract with Gallagher Bassett Services, Inc. (GBS) to administer the County’s liability claims was not submitted for Board approval prior to the effective date.

The GBS Chief Financial Officer signed the contract on 10/31/03, which was approved by the Board on 11/18/03—approximately a month and a half after the contract’s effective date of 10/01/03. Services were provided to the County without interruption, even though a Board-approved renewal contract did not exist at the effective date.

It was also noted that the contracts for property and casualty claims administration services for the following years were approved after the effective date:

Company	Contract Period	Board Approved	# Days After the Fact
GBS	4/1/99 – 4/1/00	6/22/99	83
GBS	4/1/01 – 10/1/01	4/10/01	10
GBS	10/1/01 – 10/1/02	10/23/01	23
GBS	10/1/02 – 10/1/03	10/22/02	21
GBS	10/1/03 – 10/1/04	11/18/03	49

RECOMMENDATION

Contract terms and conditions, obligations of the parties, services and fees, etc., should be negotiated and agreed upon prior to inception. Approval by the Board must be obtained before the contract becomes effective. Therefore, RM and the Office of Management & Budget should ensure that all RM contracts are submitted and Board-approved prior to renewal dates.

LIABILITY CLAIMS & ACCIDENTS

17. County disciplinary actions were not enforced regarding preventable accidents involving a County vehicle or equipment.

Of the 26 accident reports reviewed, 25 involved County vehicles, while one accident occurred while using a loader at the Landfill. Follow-up inquiries with the departments/divisions disclosed that appropriate disciplinary actions were taken, with the exception of the following:

- a. Fire Services incurred five accidents involving four employees—one employee incurred two accidents. According to the Public Safety Director, previous management did not follow through with the mandatory disciplinary action of EVOC training for three employees. The fourth employee scheduled for EVOC training was discharged prior to obtaining the training. The Director stated the current Fire Training Officer would correct this problem in a timely manner.
- b. Community Support Services – Transportation – incurred eleven accidents, which involved seven employees. Two employees were each involved in three accidents.

The Director did not respond to the Auditor’s inquiries.

RECOMMENDATION

The Citrus County Employee Handbook, page 66, outlines the Standards of Disciplinary Action Guidelines for preventable accidents with a County vehicle. The three categories of violations are minor, more serious clear-cut, and extreme. “Sustained violations in one category of accidents will be considered as aggravating circumstances in other categories and may result in a greater penalty than the minimum indicated in these guidelines.”

Management should apply County disciplinary action as outlined in the Handbook. Documentation of any disciplinary action taken should be forwarded to RM, as well as HR.

18. MVRs should be requested when an employee is involved in multiple accidents within a six-to-twelve month period involving a County vehicle.

A review was conducted of 25 files in which a County vehicle was involved, and one file in which a loader at the Landfill hit a van. One employee in Fire Services incurred two accidents in two consecutive months (one minor and the second damaged another

vehicle). An employee in Community Support Services incurred three minor accidents within a seven-month period. Another employee in Community Support Services was involved in three minor accidents in a six-month period--two of which were six days apart.

RECOMMENDATION

Management should consider amending the County General Driving Guidelines to include mandatory MVRs on employees with multiple driving accidents involving County vehicles within a six-to-twelve month period (regardless of type of violation), as well as safety training and/or defensive driving courses as deemed suitable.

Data could be extracted from the RM Liability Claims Log to determine multiple accidents by the same employee. RM could then request Human Resources (HR) to order an MVR, since it is now HR’s responsibility to maintain MVRs on employees.

19. Citrus County Incident/Claim Reports were not submitted within 48 hours of the incident.

The County Employee Safety Manual states on page 11 that an incident/claim report shall be completed for all third party claims, as well as first party claims in excess of \$2,500, and submitted to Risk Management within 48 hours of the incident. A total of 53 liability claim files were sampled from the liability claims log—28% of the reports were not submitted on a timely basis:

Claim Number	Date of Incident	Claim Report Date	Division/ Department
2002-317	11/23/02	12/06/02	Road Maintenance
2003-38	2/14/03	2/19/03	Road Maintenance
2003-53	2/22/03	3/13/03	Animal Control
2003-59	3/04/03	3/14/03	Community Support
2003-83	4/01/03	4/08/03	Fire Services
2003-145	6/20/03	6/26/03	Extension
2003-164	7/05/03	7/15/03	Road Maintenance
2003-170	7/12/03	7/17/03	Road Maintenance
2003-254	10/14/03	10/20/03	Library
2003-287	12/12/03	12/22/03	Community Support
2004-01	1/05/04	1/14/04	Community Support
2004-55	3/15/04	3/29/04	Utilities
2004-72	3/30/04	4/05/04	Animal Control
2004-77	4/16/04	4/20/04	Solid Waste
2004-110	5/08/04	5/11/04	Engineering

RECOMMENDATION

Timely reporting ensures the accurate documentation of the accident, enables management to address any safety issues to prevent future accidents of a similar nature, and accelerates the claims processing for the injured parties and respective insurance companies.

Management should stress to departments/divisions the importance of filing the claim report within the specified time frame. Any delays in complying, due to lack of supporting information—photos, police reports, etc., should be noted in the file.

20. Liability Claims Log information did not match the Gallagher Bassett (GB) Loss and Claim Experience Report as of March 31, 2004.

GB Claim No.	GB Value	BOCC Log Value	Comments
010100-000497-GB-01	8245.92		Not listed on BOCC Claims Log
010100-000461-GD-01	--	--	Not listed on BOCC Claims Log
010100-000499-GD-01	1637.32	1538.32	Values do not reconcile

The Liability Claims Log and GB Loss and Claim Experience Reports should be reconciled to maintain current information regarding claims filed. Claims values should also be compared to reimbursements, to ensure all funds due to the County are received and properly recorded.

RECOMMENDATION

RM should compare claims, values, dates, etc. on the Liability Claims Log to the GB Loss & Claim Experience Reports on a quarterly basis to verify accuracy and reconcile reimbursements.

21. Reimbursements for accidents and restitution by third parties were not recorded on the log that tracks amounts owed to the County. Additionally, several claims were not listed.

The RM office maintains a log for tracking County claims against third parties. A review of the log provided by RM on August 19, 2004 listed six claims for the audit period.

- a. There were no entries to indicate payment activity on claims 2002-317 and 2003-163.
- b. Claim 2003-11 with a value of \$15,748.37, was not listed on the log. The reimbursement was deposited on September 20, 2004.
- c. Reimbursements of restitution payments from Claims 2002-120, 2002-130, 2002-133, and 2002-316 were received, but the claims were not listed on the log.

RECOMMENDATION

Risk Management should review all outstanding claims in which third parties owe the County. All claims should be listed on this log, indicating original value of claim, as well as payment activity and balances due.

A. J. GALLAGHER & CO. (FLORIDA)

- 22. An aggregate excess recovery check, in the amount of \$7,017.50, for claim year twelve, October 1, 1995 – April 1, 1997, was received by the County seven and one half years after the coverage period.**

According to a Loss and Claim Experience report prepared by Gallagher Bassett Services (GBS), the County's aggregate paid losses for claim year twelve totaled \$569,517.50. Since the claim year's loss fund was \$562,500, the County was reimbursed in October 2004 by Coregis Insurance Company for the excess of \$7017.50--approximately seven and one half years later.

RECOMMENDATION

Risk Management, along with GBS, should ensure that reimbursements from insurance companies participating in the County's insurance program are recorded, tracked, and received in a timely manner.

- 23. The AJG Citrus Property Analysis Report (CPAR) vs. Citrus List and the Summary Report for Citrus County did not accurately reflect the County's assets.**

CPAR vs. Citrus List

The one-page summary, CPAR vs. Citrus List, indicated 65 County assets were not listed on AJG's records. A discussion with the Fixed Assets Clerk disclosed the following--of the 65 items, 4 properties were leased, and 14 were components of another asset. The value of the remaining 47 items, acquired primarily since 1991, totaled \$4,934,294. Included in the 47 items was the Stovall Building – Property Appraiser's Office, acquired in 8/13/03, with a valuation of \$2,516,460.

AJG indicated 22 items on their CPAR, valued at \$2,917,650, were not listed in the County's records. A discussion with the Fixed Assets Clerk indicated those items were:

- a. on the County's property records under a different name.
- b. donated to EMS Operations, or
- c. did not belong to the County.

According to the Fixed Assets Clerk, assets listed under "Mosquito" belong to a separate elected official and should not be on the insurance policy.

If the County sustained a loss to assets not listed specifically in the insurance schedule, coverage would apply up to \$1,143,516--the FY 04 limit for Miscellaneous and Unknown insurance coverage. The one-page summary provided by AJG listed assets totaling \$4,934,294 that were not included on AJG's records. In the event of a major catastrophe, it appears that \$3,790,778 of County assets would not be adequately insured under the Miscellaneous and Unknown category.

SUMMARY REPORT FOR CITRUS COUNTY

The Summary Report for Citrus County listed a building at 1128 W. Main St., Personnel, that was sold to Dr. Fagan in December 1999—building value \$193,437, and contents value \$108,659. Even though the contents may have been moved to other County locations, premiums were assessed on a building the County did not own.

Inquiries of the Property Appraiser's office indicated addresses listed for Locations 153 and 154 were not valid.

RECOMMENDATION

An annual, comprehensive, line-by-line review should be performed to reconcile all assets listed on the AJG Insurance Schedule with the Fixed Assets Clerk's records, as well as the records of other departments/divisions/Agencies who are covered under the County's insurance program. A copy of the AJG's Asset Schedule should be provided to the Fixed Asset Clerk for reconciliation with County Fixed Asset records.

This task should be coordinated by AJG, RM, and an Independent Insurance Committee (see Recommendation in Discussion Point 24) to provide assurance that adequate coverage is provided, and that the County is paying premiums based on accurate asset values.

24. The County should periodically seek bids for insurance and claims processing services.

The BOCC official minutes indicate that the brokerage firm of A. J. Gallagher & Company (Florida) (AJG) has provided services to the County since 1984. AJG was the successful bidder in three requests for proposals (RFP) that were conducted in October 1995 (life insurance), October 1996 (workers' compensation insurance) and

April 1997 (property and casualty insurance). Based upon the recommendation of the Risk Manager in August 1997, AJG was appointed Citrus County's broker for benefits insurance.

Insurance premiums paid to AJ Gallagher (including Volunteer Firefighter's Accident & Sickness) in FY 03 totaled \$1,142,136, and \$1,438,601 for FY 04.

The Board has contracted annually with Gallagher Bassett Services, Inc. (GBS) to function as a third party administrator over the property and casualty liability claims since April 1, 1999. The contract with GBS for services in FY 03 was \$32,491, and \$43,453 for FY 04. The contract for FY 05 totals \$53,346. These amounts are based on claim activity and are prepaid at the beginning of the fiscal year.

The Board has employed the services of Preferred Government Claim Solutions (PGCS) as third party administrator (TPA) for workers' compensation since 1994, whose name at that time was Insurance Servicing & Adjusting Company (ISAC). ISAC's name changed to PGCS in 2001. The County disbursed \$38,740 to PGCS for administrative services in FY 03, and \$20,940 for the eight-month period from October 2003 – May 2004.

The Board approved an agreement with CorVel Corporation on March 24, 1998, for Managed Care Arrangement. OMB's Agenda Memorandum of February 25, 2003 states that CorVel Corporation develops and maintains the CorCare Provider Network, which is a comprehensive panel of health care providers and health care facilities that contracts with CorVel Corporation to provide appropriate remedial treatment, care and attendance to workers injured on the job. Payments to CorVel Corporation are disbursed through PGCS.

Disbursements to CorVel Corporation in FY 03 totaled \$10,071.50, and \$29,459.84 for the eight month period from October 2003 – May 2004. According to the Branch Manager at CorVel Corporation in Lake Mary, fees are based on 23% of savings, in addition to a charge of \$1.30 per line.

RECOMMENDATION

The competitive bidding process and/or requests for proposals ensure coverage is obtained at the most cost effective price. Administrative Regulation (AR) 02.13, Citrus County Risk Management Policy, Insurance Marketing Policy, page 3, states that competition shall be periodically required in the purchase of insurance policies. It further states that premium cost should receive major emphasis, so long as other considerations are consistent.

AJG conducts an annual market analysis prior to the renewal dates of the County's insurance policies to obtain the County's insurance package. However, the last RFP for property and casualty insurance and broker services was performed in April 1997. Considering the dynamic insurance environment in Florida, bids or RFPs should be

initiated every three years, so additional insurance brokers and companies may participate to ensure the County is obtaining the most cost effective price.

AR 9.01-7 requires official sealed bids for all approved purchases and services that will aggregate to \$10,000 or greater from one vendor during a 12-month period.

Since PGCS has served the County as the TPA for workers' compensation claims since 1994, it is recommended that the bid/RFP process be initiated prior to the next contract renewal to ensure the County is obtaining the most cost effective price, and to comply with County policy.

To comply with County AR 9.01-7, it is recommended that the competitive bid process be initiated prior to CorVel Corporation's contract renewal in March to ensure the County is obtaining the most cost effective price. PGCS staff indicated a competitive market exists for these services, and that the County could possibly engage a provider with lower rates.

Payments to PGCS and CorVel Corporation are remitted as services are rendered, while payment to Gallagher Bassett Services is prepaid at the beginning of the contract. It is recommended that terms in any future contracts with GBS stipulate that payments shall be remitted on a quarterly basis, as services are rendered.

A conflict of interest exists since the Area Vice President and Branch Director of the Public Entity & Scholastic Division of A. J. Gallagher is performing duties in the capacity of a Risk Manager. An Independent Insurance Committee comprised of individuals unrelated to the Risk Management office should be created to conduct the insurance bid/RFP process, and oversee changes in the County's insurance requirements. This Committee should report to the Board to achieve independence and eliminate the appearance of any impropriety or unfairness in the selection process.

CONCLUSION

RM should closely monitor transactions conducted by PGCS due to weaknesses in their internal controls, and to ensure accurate payments for invoices and w/c benefits payments to employees.

The RM office should segregate duties to strengthen internal controls, investigate outstanding checks on the bank reconciliations, and review time sheet entries with County Supervisors and Payroll to ensure accuracy of w/c leave.

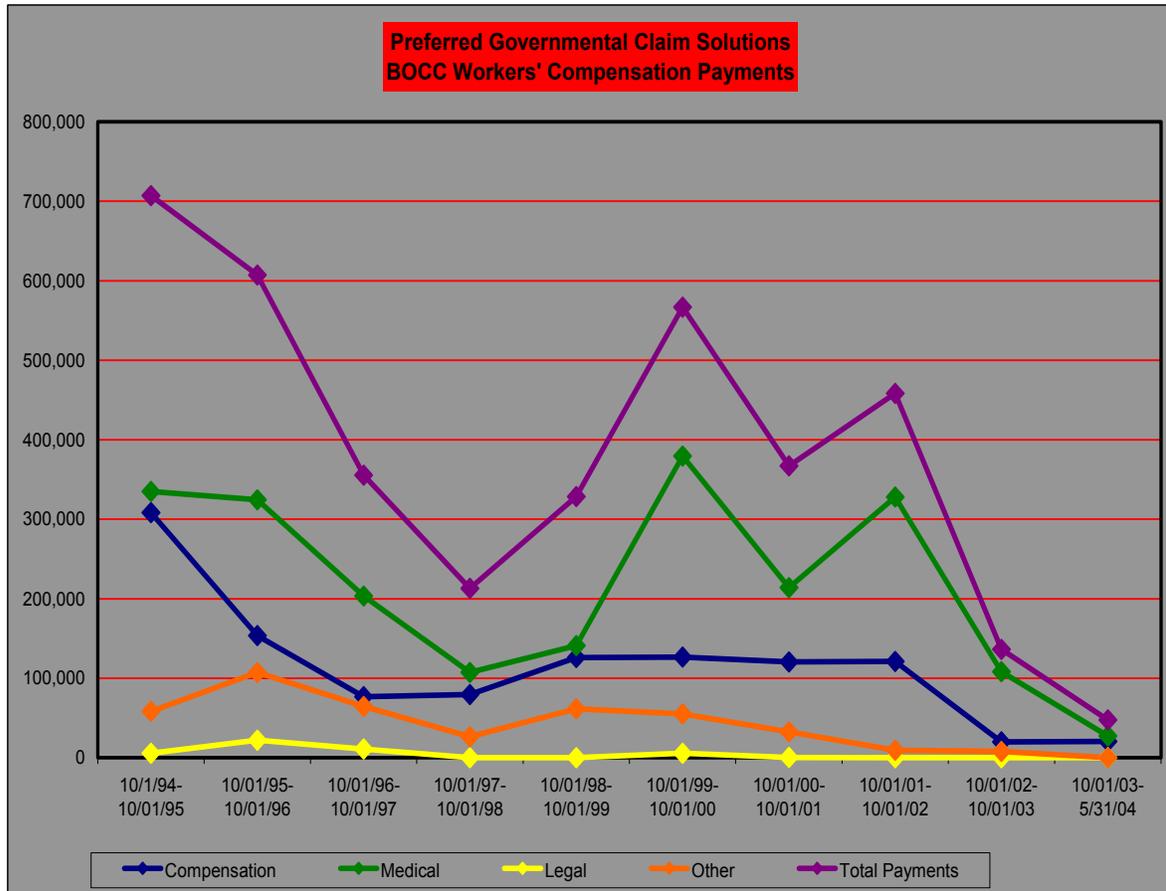
Additionally, RM should:

- a. actively participate as a member of the Safety Management Team.
- b. conduct safety inspections.
- c. oversee the insurance certificate tracking system.

- d. ensure accuracy of w/c and liability claims information.
- e. reconcile liability claims reimbursements and restitution payments.
- f. coordinate MVRs with HR.
- g. coordinate the year-end property analysis of fixed assets for insurance renewals.
- h. obtain Board approval prior to contract renewal dates.
- i. ensure the County complies with Administrative Regulations by utilizing the bid/RFP process.

Administrative Regulation 2.13, Risk Management Policy, stipulates the County must “protect its assets and preserve operational continuity from risks and hazards that may arise from County activities.” Many of the discussion points of this audit resulted from a lack of continuity and stability due to multiple turnovers and the absence of a Risk Manager. The key to efficiently and effectively operating a Risk Management office is to hire a full-time Risk Manager.

Risk Management Services Audit Report



Period	Compensation	Medical	Legal	Other	Total
10/1/94-10/1/95	308,248	335,052	5,469	58,388	707,157
10/1/95-10/1/96	153,431	324,512	22,111	107,174	607,228
10/1/96-10/1/97	76,855	203,309	18,750	64,473	355,387
10/1/97-10/1/98	79,279	107,143	0	26,511	212,934
10/1/98-10/1/99	126,115	140,944	0	61,450	328,509
10/1/99-10/1/00	126,577	379,621	5,600	55,011	566,810
10/1/00-10/1/01	120,375	214,005	350	32,507	367,237
10/1/01-10/1/02	120,907	327,996	0	9,438	458,342
10/1/02-10/1/03	19,953	108,266	0	7,969	136,188
10/1/03-5/31/04	20,368	27,144	0	0	47,512
Totals	1,152,108	2,167,993	44,280	422,922	3,787,302

Source: PGCS Employer's Experience Report @5/31/2004, provided by Peter Herron

EXHIBIT A

Risk Management Services Audit Report

Disputed PGCS Invoice Charges				
INV. #	INVOICE DATE	LT Claims	Comments	Amount
568	10/18/2002	1		
586	10/18/2002	1		
615	11/20/2002			
675	12/10/2002	2		
700	12/10/2002	1		
721	1/21/2003	2	Claim 2002-839 I/O - s/b no charge - charged \$140; Claim 2002-842 charged \$500 for LT - no lost time - s/b \$140 charge	-140 -360
770	2/11/2003	1		
771	2/11/2003	1		
772	2/11/2003			
819	3/18/2003	2		
858	4/23/2003	2	Claim 2002-856 - I/O - s/b no charge - charged \$140	-140
896	5/28/2003	1	Claims 2002-866, 872 - I/O - s/b no charge - charged \$140 each	-280
966	6/23/2003	2	Claim 2002-876 - I/O - PGCS did not charge for this one	
979	7/17/2003	2	Claim 2002-887 charged as comp - employee not paid for LT	-360
978	7/17/2003	3		
1013	8/18/2003	2		
1032	8/18/2003	1		
1057	9/19/2003	1	Claims 2002-908, 2001-915 (this should be 2002-915 d/a 8/27/03) - incident only - charged \$140 each; Claim 2002-844 changed from med to comp - employee incurred no lost time - ck 10964 voided	-280 -360
1058		4		
1102	10/28/2003	1	Claim 2002-917 - no lost time - charged \$500 - s/b \$140 charge	-360
1144	11/18/2003	0		
1184	12/17/2003	1	Claim 2003-933 - no lost time; charged \$500 - should be \$140 charge	-360
1185	12/17/2003	1		
1248	2/18/2004	0	Dec - Claims 2003 941, 942, 943 - incident only; charged \$140 each	-420
1248	2/18/2004	0		
1287	3/22/2004	1		
1324	4/13/2004	1	PGCS did not charge for changing from med to comp	360
1355	5/24/2004	4		
96	6/21/2004	1		
Reimbursement due to BOCC				-\$2,700.00
<p>d/a - date of accident I/O - incident only s/b - should be LT - lost time</p>				
40.74% error rate in 27 invoices				

EXHIBIT B

Risk Management Services Audit Report

WAGE STATEMENTS				
DATE OF ACCIDENT	DAY 1 OF LOST TIME	DATE PREPARED BY PAYROLL	# DAYS BETWEEN FIRST LOST DAY & DATE PREPARED	
10/8/2003	3/17/2004	4/1/2004	15	
10/14/2003	10/17/2003	11/20/2003	34	
7/7/2003	7/11/2003	8/14/2003	34	
11/13/2002	11/21/2002	12/17/2002	26	
5/28/2003	6/2/2003	6/13/2003	11	
5/10/2004	5/12/2004	6/17/2004	36	
1/12/2004	1/20/2004	2/20/2004	31	
**3/29/04	**3/27/2004	4/8/04	9	
3/29/2004	3/27/2004	4/8/2004	9	
6/16/2003	6/17/2004	7/14/2003	27	
6/20/2003	6/29/2004	7/2/2004	4	
3/10/2004	3/11/2004	3/22/2004	42	
7/22/2003	7/24/2003	9/10/2003	48	
7/25/2003	7/29/2003	8/27/2003	29	
5/21/2003	5/23/2003	6/13/2003	21	
12/4/2002	12/5/2002	1/17/2003	43	
3/17/2004	3/23/2004	4/8/2004	16	
1/12/2004	4/12/2004	4/8/2004		prepared prior to 1st lost day
2/10/2003	2/11/2003	4/4/2003	52	
6/20/2003	6/26/2003	7/18/2003	22	
7/1/2003	7/2/2003	7/18/2003	16	

****Date of accident & day one of lost time do not agree.**

EXHIBIT C



Board of County Commissioners Administration

3600 W. Sovereign Path • Suite 267 • Lecanto, FL 34461
Phone: (352) 527-5210 • Fax: (352) 527-5204

March 31, 2005

The Honorable Betty Strifler
Clerk of the Circuit Court
110 North Apopka Avenue, Room 101
Inverness, Florida 34450-4229

RE: CCBOCC Risk Management Services Audit Report

Dear Mrs. Strifler:

At this time, Citrus County hereby presents our response to the Clerk's Office Preliminary Draft Audit Report, dated January 2005.

Thank you.

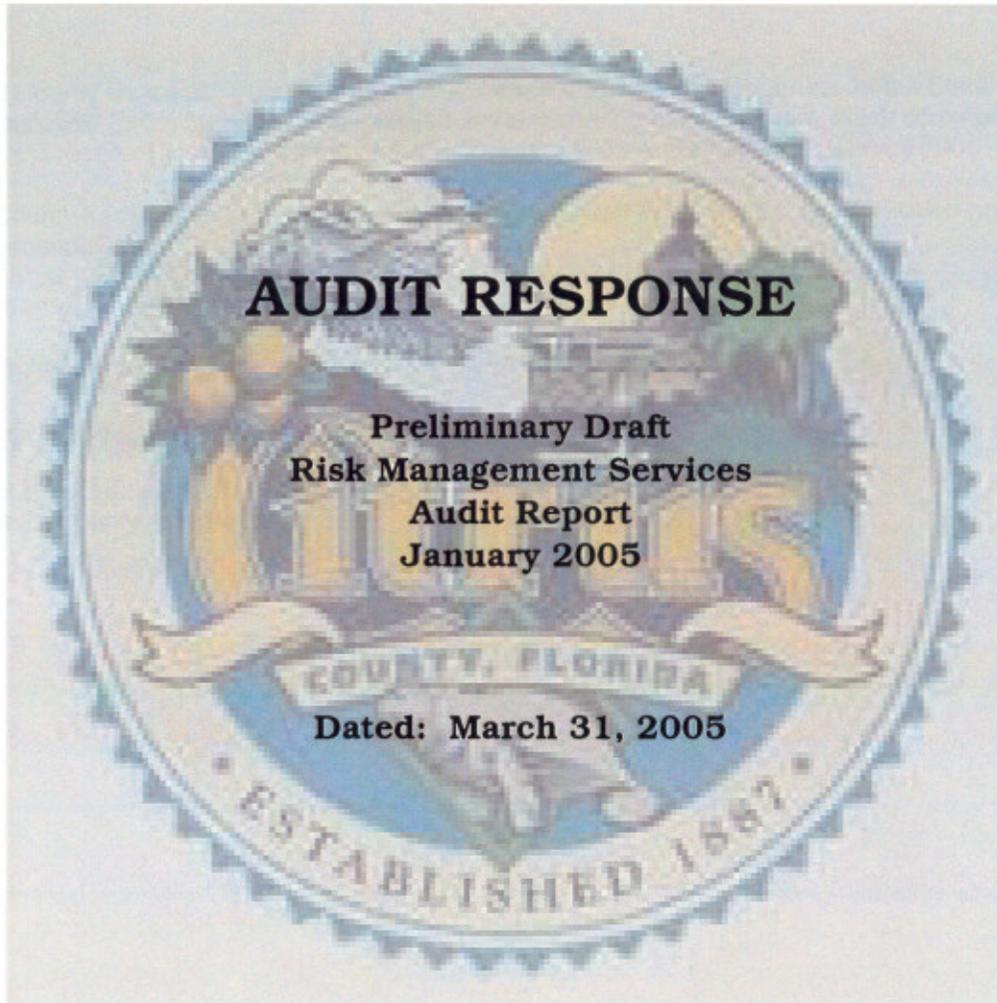
Respectfully yours,

Kenneth E. Saunders, Jr.
Assistance County Administrator

KES/lh
Enc.



**CITRUS COUNTY
BOARD OF COUNTY COMMISSIONERS**





EXECUTIVE SUMMARY

Citrus County Board of County Commissioners appreciates the thoroughness of the Clerk's Risk Audit, as demonstrated by the length of time invested in the gathering of information, which commenced in July 2004 and resulted in the publishing of the Preliminary Draft Audit Report in January 2005.

The County has elected to respond to the Preliminary Draft Audit Report, by discussion point and recommendation.

At this time, we submit our response.

Respectfully yours,

Kenneth E. Saunders, Jr.
Assistant County Administrator



RESPONSE

BACKGROUND

The County believes it prudent to correct three items addressed in the Preliminary Draft Audit, page 1, BACKGROUND, as follows:

1. *"According to the Board Minutes, on April 27, 2004, the County entered into a service agreement with Arthur J. Gallagher & Co. (Florida) (AJG) in which AJG shall provide RM consultant services with Barbara Flynn serving as the County's Risk Manager, for a period of 24 months, with an option for three 12-month extensions."*

COMMENT:

Arthur J. Gallagher & Co. (Florida) and their representative, Barbara A. Flynn, are contracted to provide professional risk consultant services in the area of RM, per mutually executed Service Agreement dated April 27, 2004, Exhibit A SCOPE OF RM SERVICES, copy attached. Barbara Flynn does not serve as the County's Risk Manager.

2. *"A prior agreement with AJG was approved by the Board on October 3, 2000 for RM Services for a one-year term, subject to a 30-day cancellation for \$12,000. Along with providing RM consulting services on behalf of AJG, Barbara Flynn (henceforward referred to as Risk Manager) has performed duties for the County in the areas of crisis management/consultant services since 1998."*

COMMENT:

Referenced "prior agreement with AJG was approved by the Board of October 3, 2000 for RM services for a one-year term, subject to a 30-day cancellation for \$12,000.", although a Board action, agreement was not executed. Administrator Wesch and AJG decided the better good was to continue the AJG/Citrus County long-term [since 1998] risk management partnership, without contract and/or additional cost to the County, maintain then current RM section processes and move forward with filling the risk manager position at the County. Position filled September 10, 2001.

3. *"...the RM office employees a full-time RM Assistant, and utilizes temporary backup provided by the Assistant County Administrator's office."*

COMMENT:

RM is a self-sufficient service section of the County, presently staffed with one contracted and one full-time personnel. The Assistant County Administration staff assists when the Risk Assistant is out sick and/or on vacation, as a service courtesy for County employees and our citizens. Absent those scenarios, the County voice mail and email systems allows ample backup on a daily basis and an effective use of County budget dollars. Barbara Flynn, and AJG risk staff, are available to assist via email and/or an 800# during business hours.



RESPONSE

DISCUSSION POINTS & RECOMMENDATIONS

**Preferred Governmental Claim Solutions
Workers' Compensation Third Party Administrator (TPA)**

1. The Third Party Administrator incorrectly billed the County on eleven invoices during the audit period.

Recommendation: RM should pursue reimbursement of \$2,700 in overcharges. The invoices from June 2004 through September 2004 should also be examined to determine billing accuracy. The Service Agreement with PGCS, approved by the Board on September 28, 2004 for the year beginning October 1, 2004 and ending September 30, 2005 modified the billing structure from an administrative fee and "per claim" charge to a flat rate of \$3000. This change eliminates the need to scrutinize monthly invoices after September 2004 for "per claim" billings.

RESPONSE:

- ❖ The County agrees with audit recommendation.
- ❖ RM will instruct the Risk Assistant to pursue reimbursement of the \$2,700 in overcharges outlined in audit report, as well as, reconcile referenced PGCS invoices (June 2004-Sept 2004).
- ❖ Further, the County will pursue this matter with PGCS as a service deficiency that requires reconciliation for contract years, prior to October 1, 2004 renewal; with County Risk Assistant overseeing project.
- ❖ Note: County's election to move PGCS contract to a "flat monthly rate" effective October 1, 2004 from a "per claim" charge has demonstrated a break even financial impact.



DISCUSSION POINTS & RECOMMENDATIONS

Preferred Governmental Claim Solutions Workers' Compensation Third Party Administrator (TPA)

2. Employee wage statements are not provided to the TPA within 14 days after knowledge of the accident.

Recommendation: A request for completion of a wage statement should be submitted by RM to Payroll as soon as an employee is paid disability leave by the County (Employee Handbook, page 41). The wage statement should then be prepared and forwarded to RM for processing to PGCS for use in calculating any subsequent temporary total (TT) or temporary partial (TP) w/c benefits payments due the employee.

Expediting this process will contribute in reducing or eliminating inaccurate under/overpayments to employees.

RESPONSE:

- ❖ County agrees with audit recommendation.
- ❖ RM will develop a written workflow that established time controls for both the Risk Assistant and Payroll Clerk, on this time critical component.
- ❖ Implementation Date: May 1, 2005



RESPONSE

DISCUSSION POINTS & RECOMMENDATIONS

Preferred Governmental Claim Solutions
Workers' Compensation Third Party Administrator (TPA)

3. Several workers' compensation payments were incorrectly calculated by PGCS.

Recommendation: RM should verify calculations of TT and TP w/c benefits payments, as well as the period of time for each w/c benefits check. If payments are incorrect, RM should request PGCS to amend subsequent w/c benefits checks for the over/underpayments. If the employee has returned to work on a full duty status, and no further w/c benefits checks are due, RM should coordinate with PGCS the method of collecting overpayments, or remitting underpayments to employee.

RESPONSE:

- ❖ County does not support audit recommendation.
- ❖ County Clerk's Office, Finance Division/Payroll Clerk is the official record keeper for County employee time sheets and wages.
- ❖ RM reviews check register on a weekly basis against Weekly Wage Statement [average weekly wage and days worked] prepared by Payroll, County Clerk's Office; if discrepancy between these two sources found, RM notifies PGCS and payroll.
- ❖ PGCS then files Florida Statute 440 mandated DCW-4, Notice of Action/Change at the State and County levels requesting applicable benefit adjustment(s); State regulated process and time frames.
- ❖ Any/all applicable adjustments [overpayments/underpayments/reimbursement to County] are made on the next practical pay cycle.
- ❖ The County will pursue this matter with PGCS as a service deficiency, with a 60 day time line for written resolve and corrective plan going forward.
- ❖ The County does not foresee any changes to this procedure at this time.
- ❖ The auditor's opening paragraph states: "If an employee is released by the physician to return to work on a "light duty" status only, and there is no light duty available for that particular position, the employee remains off the job. The County pays TP benefits to the employee until such time he/she is released to return to work full duty."

NOTE: The County would like to acknowledge that at present we do not employ a light duty program and, therefore, would like to correct the auditors statement in that the County does not pay total partial benefits to employees to return to work on a "light duty" status; however, when possible, the County does make reasonable accommodations for our employees when doctor "light duty" limitations permit.



RESPONSE

AUDITOR'S RESPONSE

While the Clerk's Office, Finance Division/Payroll Clerk is the record keeper of employees' wages, it is not the Clerk's responsibility to verify benefits payments generated by PGCS. Due to the number of incorrect payments, RM should validate the accuracy of calculations and period of time for TT and TP w/c benefits checks.

Correction of the preceding NOTE in Management's Response is necessary. The County does pay TP w/c benefits to employees unable to return to work on a light duty status. According to the Independent Claims Unit Supervisor at PGCS, "TP benefits kick in when an employee has been released to return to work light duty. For the most part, Citrus County has not had light duty work available; therefore, we would pay the employee TP benefits as soon as the employee is released to light duty."

DISCUSSION POINTS & RECOMMENDATIONS

**Preferred Governmental Claim Solutions
Workers' Compensation Third Party Administrator (TPA)**

4. Information on the PGCS check register is incorrect

Recommendation: PGCS should ensure that adequate controls are in place to prevent alteration of payee names on checks and/or reports.

RESPONSE:

- ❖ County agrees with audit recommendation.
- ❖ The County will pursue this matter with PGCS as a service deficiency, with a 60 day time line for written resolve and corrective plan going forward.



DISCUSSION POINTS & RECOMMENDATIONS

Preferred Governmental Claim Solutions Workers' Compensation Third Party Administrator (TPA)

5. The bank reconciliation for worker's compensation payments carried outstanding checks for four years.

Recommendation: Copies of the bank reconciliation should continue to be provided to PGCS for review and reconciliation with their reports. RM should receive a copy in order to track the status of outstanding check and coordinate efforts with PGCS regarding uncollected claims payments.

RESPONSE:

- ❖ County does not support audit recommendation.
- ❖ County shares auditor's concerns of "ten stale checks totaling \$26,563.73. The six checks issued in 2000 should have been reported in the Abandoned Property Report for over two years."
- ❖ County recommends this item be referred to the Clerk's Office, Finance Division; County designees responsible for bank reconciliations.
- ❖ RM, other than review of weekly check register, is not responsible to track and/or reconcile County bank statements and/or TPA issued County checks mailed direct to employees.
- ❖ RM agrees that PGCS should continue to receive copies of bank reconciliation for review; RM will pursue this matter with PGCS as a service deficiency, with a 60 day time line for written resolve and corrective plan going forward.
- ❖ County does not foresee any change in RM procedure at this time.

AUDITOR'S RESPONSE

While it is the duty of the Clerk's Office to reconcile the bank statement for this business activity, it would seem reasonable that RM's participation in researching outstanding checks with PGCS would facilitate the process, and since RM approved the initial request for the check.



DISCUSSION POINTS & RECOMMENDATIONS

**Preferred Governmental Claim Solutions
Workers' Compensation Third Party Administrator (TPA)**

6. A check issued by PGCS for \$7,733.90 to CorVel Corporation cleared the bank without any signatures, even though the check contains the statement, "\$2,500 and over requires two original signatures."

Recommendation: PGCS should review their internal controls on check handling polices and procedures and revise, if necessary, to ensure that all checks are signed by authorized personnel.

RESPONSE:

- ❖ The County agrees with audit recommendation.
- ❖ The County will pursue this matter with PGCS as a service deficiency, with a 60 day time line for written resolve and corrective plan going forward.
- ❖ In addition, County recommends County Clerk's Office bring this matter to the attention of Mercantile Bank, the County's financial institution who also processed the check in question without signature(s). A review of Mercantile Bank's internal controls is warranted, as well.



DISCUSSION POINTS & RECOMMENDATIONS

**Preferred Governmental Claim Solutions
Workers' Compensation Third Party Administrator (TPA)**

7. Copies of invoices in PGCS files were missing.

Recommendation: Good internal controls provide for proper documentation of paid bills. PGCS should ensure that copies of invoices are retained in the files.

RESPONSE:

- ❖ County supports audit recommendation.
- ❖ County will pursue this matter with PGCS as a service deficiency, with a 60 day time line for written resolve and corrective plan going forward.



DISCUSSION POINTS & RECOMMENDATIONS

RISK MANAGEMENT

8. There is not an adequate segregation of duties for processing claims and receiving of insurance proceeds.

Recommendation: In order to achieve segregation of duties, the processing of claims and receipt of insurance proceeds should be assigned to separate individuals. Consideration should be given to assigning the opening of mail and recording receipt of insurance proceeds to the RM Assistant's backup.

RESPONSE:

- ❖ County does not support audit recommendation.
- ❖ RM is a self-sufficient independent service section of the County, presently staffed with one contracted and one full-time personnel.
- ❖ RM protocols are in place to insure proper handling and tracking of all RM documents, including insurance transactions, via a daily incoming mail/materials/task log that is reviewed by management on a monthly basis.
- ❖ RM does not direct insurance proceeds, but rather facilitates reimbursement to respective County Departments/Division, w/c benefits recipients as well as payments to Citizens, as applicable.
- ❖ The majority of claims proceeds are directed by County contracted TPAs, or an independent insurance company and/or their representatives should a third party cause damage to County property.
- ❖ County Risk Assistant prepares a journal voucher for insurance proceed transfers; file/voucher reviewed by the Risk Consultant with final review and sign-off by the Assistant County Administrator.
- ❖ The Risk Assistant is required to sign an Affidavit of Independency attesting that she is not related to the claimant/employee on any give case file.
- ❖ In the event a relationship exists, the claim file is then handled in a combined effort by the County's Risk Consultant and the County's Human Resource Director, through fruition; fund transfer process noted above.
- ❖ The Assistant County Administration staff assists (backs up) when the Risk Assistant is out sick and/or on vacation, as a service courtesy for County employees and our citizens. Barbara Flynn and AJG risk staff, are available to assist via email and/or an 800# during business hours.
- ❖ Reducing the Risk Assistance workload/responsibilities, while increasing those of another outside of the RM section is, not viewed as a good County business practice.
- ❖ The County does not foresee any action at this time, pending reorganization of RM section.



DISCUSSION POINTS & RECOMMENDATIONS

RISK MANAGEMENT

9. Workers' Compensation log "lost work days" and time sheet entries do not match.

Recommendation: RM should follow up with Supervisors and the Payroll Clerk to ensure that timesheet information and the workers' compensation log entries are identical. Closer scrutiny would prevent coding errors on the time sheets, thereby ensuring accurate data for payroll and workers' compensation reports.

RESPONSE:

- ❖ County does not support audit recommendation.
- ❖ County Clerk's Office, Finance Division/Payroll Clerk is the official record keeper for County employee time sheets and wages.
- ❖ RM does not believe it to be time and/or cost efficient for RM to be double-checking time sheet/payroll records with supervisors.
- ❖ County supports that "best practices" are in place as directed by Clerk's Office procedures.

AUDITOR'S RESPONSE

To reiterate, the Clerk's Office, Finance Division/Payroll Clerk is the record keeper of employees' wages. However, the Supervisors verify and make adjustments to their employees' time sheet entries. Since discrepancies were noted between RM's worker's compensation log "lost work days" and time sheet entries, it seems prudent to compare the data to ensure accuracy in both the log and Supervisors' entries. This could be accomplished when verifying the accuracy of calculations and period of time for TT and TP w/c benefits checks, as outlined in Discussion Point #3.

Incorrect entries for w/c doctor appointments and w/c leave could then be corrected prior to review by the Payroll Clerk. Accuracy of this data is critical, since the County Safety Management Team, scheduled for the fourth quarter FY05, will be reviewing information extracted from the w/c log and payroll reports.



DISCUSSION POINTS & RECOMMENDATIONS

RISK MANAGEMENT

10. Payroll is not always notified when an employee has a w/c medical appointment or is on disability leave.

Recommendation: Discussions with the Payroll Clerk revealed that she often must call the departments to obtain copies of the First Notice of Injury, after she has reviewed the time input by the Supervisors and observes that an employee has been paid for County disability leave.

A copy of the First Notice of Injury should be provided to Payroll by RM, since RM usually receives the First Notice of Injury within the first day or two of the incident. The Payroll Clerk could then check the time inputs by the Department Supervisor for accuracy regarding County disability leave and w/c medical appointments and make necessary adjustments prior to issuance of the payroll check. Preliminary review of the timesheets might prevent occurrences of employees being paid incorrectly.

The RM assistant and the Payroll Clerk discussed the difficulty in tracking employees' w/c medical appointments. To alleviate this situation, RM has requested the PGCS provide a weekly schedule of employees' medical appointments, which will aid RM and the Payroll Clerk in maintaining more accurate records.

RESPONSE:

- ❖ County supports audit recommendation.
- ❖ RM will provide County Payroll Clerk with copy of all First Notice of Injury Reports, except incident/records only, immediately after receipt, log-in and being date stamped at Risk.
- ❖ Risk Assistant will ensure that PGCS provides weekly medical appointments for all time loss and medical follow-up workers' compensation injury doctor appointments to RM; as necessary, PGCS will provide daily rescheduling of appointments. Risk Assistant will provide copy of weekly appointment schedule to Payroll Clerk; immediately after receipt, log-in and being date stamped at Risk.
- ❖ Implementation Date: April 11, 2005



DISCUSSION POINTS & RECOMMENDATIONS

RISK MANAGEMENT

11. A disability leave reimbursement request was sent to Payroll approximately three months after employee returned to work.

Recommendation: Standard policy and procedure should be to immediately request reimbursement of funds owed by employees upon their return to work. If reimbursement is delayed, collection could be difficult and time consuming if employee quits or is terminated.

RESPONSE:

- ❖ County acknowledges audit recommendation.
- ❖ Disability period in question: First seven days of a lost time w/c injury; County disability pays employee full wages.
- ❖ Eighth day, w/c benefits commence retro-active to first day of injury @ $66\frac{2}{3}$.
- ❖ County time sheets confirm disability period; if lost time exceeds 7 days (on 8th day (adjustment reported on timesheets to PGCS; adjustment should be requested by PGCS on the next practical pay period – Adjustment limited to difference between 100% wages and w/c benefit $66\frac{2}{3}$ [$33\frac{1}{3}$] and should be automatic for continuing benefits.
- ❖ By statute, PGCS is then required to file a DWC-4 at the State and County level stating the adjustment [over/under], as well as with the employee; at that time, County can adjust the next practical pay period; if no longer an employee, County may then seek recovery direct.
- ❖ W/C Benefits, reporting, wage calculations, wage adjustments, emergency room rates, time lines, filings, adjustments, recovery, doctor fees, doctor visits, travel distances to doctors, specialists, second opinions, prescription costs are State regulated under Fl. Statute 440.
- ❖ County will pursue this matter with PGCS as a service deficiency, with a 60 day time line for written resolve and corrective plan going forward.



DISCUSSION POINTS & RECOMMENDATIONS

RISK MANAGEMENT

12. There was no centralized insurance certificate tracking system.

Recommendation: All contracts, lease agreements, projects, special events, etc., should be reviewed to determine that certificates, of insurance are up-to-date, and that the County is listed as the additional insured. Continue to develop a tracking system for implementation to prevent potential exposure to financial loss if the County of a third party vendor is not adequately insured.

RESPONSE:

- ❖ County appreciates audit recommendation and alignment with RM goal.
- ❖ April 2004: Administration identified as RM Goal; mandatory implementation, third quarter FY05.
- ❖ RM and OMB/Purchasing partnered on this four step project:
 1. Identification [purpose/needs/results needed]
 2. Development with County I.T. [Purchasing]
 3. Protocols/Review/Training [Scheduled: April 20th]
 4. Implementation
- ❖ County Purchasing is presently engaged in phase 3, with initial RFP contract-vendor award certificate information input being the responsibility of purchasing; with subsequent confirmations/follow-up/renewal verification reverting to RM.
- ❖ Implementation date: May 1, 2005



RESPONSE

DISCUSSION POINTS & RECOMMENDATIONS

RISK MANAGEMENT

13. There was no rehabilitative duty program available in all departments/divisions in which injured employees could participate.

Recommendation: The Risk Manager indicated in the preliminary stage of the audit that one of the RM's goals for the County was to create a rehabilitative duty policy so rehabilitating employees could return to work on a "light duty" basis when directed by the physician.

The County should implement a rehabilitative duty program to enable the employees to return to work sooner, which will save the County additional funds.

Cross-departmental rehabilitative duty should be considered when the employee's regularly assigned department is unable to provide "light duty" work. Once the physician release the employee to "full duty" status, the employee can then return to his/her regular position.

RESPONSE:

- ❖ County appreciates audit recommendation and alignment with RM goal.
- ❖ April 2004: Administration identified this RM goal; implementation for FY06.
- ❖ RM Consultant and County Human Resources have partnered on this nine step program:
 1. Self-Assessment
 2. Organize Return-to-Work Team
 3. Review County job descriptions
 4. Development of County Policy
 5. Development of list of preferred providers/facilities for referral of injured employees for immediate/urgent care; partnership approach with TPA
 6. Development of Physician's Authorization to Return-to-Work
 7. Development/Completion Position Physical Demands Form
 8. Development Transitional Duty Roster [alternative County positions]
 9. Communicate the new program to Employees and Management
 10. Return-to-Work Program Procedure Implementation
- ❖ RM/HR:
 - Steps 1/2/3: Completed
 - Steps 4/5/6/7: In progress
 - Steps 8/9/10: Pending
- ❖ "Cross-departmental" rehabilitative duty: The County's goal is to help our employees transition back to work once it is medically safe. However, we definitely do not want employees to feel rushed back to work before they are ready; nor do we want to risk re-injury. For that reason, RM/HR are reviewing all County job descriptions in order to identify and develop modified duty jobs and review available County positions for appropriateness, which is a critical component in the development of an effective RTW program.
- ❖ RM recognizes that when an employees have an opportunity to transition back into the workplace via a RTW program, costs decline as the program can decrease time off from work, reduce the chances of attorney involvement and boost both the employee morale and productivity.
- ❖ RM is committed to developing an effective RTW program that incorporates a variety of best practices, uniting them in one easy-to-use format and utilizing a cross-discipline approach for better availability to County employees and more effective implementation.



DISCUSSION POINTS & RECOMMENDATIONS

RISK MANAGEMENT

14. There has been no Safety Management Team since September 2001.

Recommendation: The Risk Manager and Auditor discussed RM's reorganization, and upcoming goals—one of which was establishing a Safety Management Team in FY2005. Management should also consider incorporating a "Disability" Management element into the Safety Management Team, to evaluate the status of employees on w/c leave or "light duty", and incorporate the Rehabilitative Duty program on a County-wide level. RM should also consider establishing Safety Committees in each department/division that does not currently hold safety meetings. All department/division safety committees could meet on a monthly basis, and prepare meeting minutes for the Safety Management Team. A proactive "safety awareness" philosophy throughout the County department/divisions could reduce injuries, accidents, and safety violations.

RESPONSE:

- ❖ County appreciates audit recommendation and alignment with RM goal.
- ❖ June 2004: County Administration authorized Risk Consultant to include the appointment of a Safety Management Team under County Master RM reorganization plan.
- ❖ RM is presently evaluating loss experience data by department/division in conjunction with County-wide liability/workers' compensation evaluations.
- ❖ RM's appointment of a County Safety Management Team is scheduled for fourth quarter FY05; this schedule allows for team discussions, strategies, evaluations and reasonable time for transition into an effective leadership group that will nurture support of their divisions, and assist RM in cost effective resolutions in both safety and employee w/c management.
- ❖ County Administration and RM will give future consideration to implementing department/division Safety committees; post the establishment, implementation and results of Safety Management Team.
- ❖ Implementation Date: October 1, 2005 (FY06)



DISCUSSION POINTS & RECOMMENDATIONS

RISK MANAGEMENT

15. There was no Board-approved Service Agreement Renewal with PGCS for the year beginning October 1, 2003 and ending September 30, 2004.

Recommendation: Ensure that future service agreement renewals with the TPA are submitted to the Board for approval in a timely manner. Contracts should also be reviewed by the County Attorney. The current service agreement with the TPA was Board-approved on September 28, 2004.

RESPONSE:

- ❖ County confirms audit findings.
- ❖ RM will establish a TPA contract tracking system to ensure proper time frames for contract renewal processing, including County Attorney review and Board Agenda prior to renewal date.
- ❖ Implementation date: May 1, 2005



DISCUSSION POINTS & RECOMMENDATIONS

RISK MANAGEMENT

16. The FY 03-04 contract with Gallagher Bassett Services, Inc. (GBS) to administer the County's liability claims was not submitted for Board approval prior to the effective date.

Recommendation: Contract terms and conditions, obligations of the parties, services and fees, etc., should be negotiated and agreed upon prior to inception. Approval of the Board must be obtained before the contract become effective. Therefore, RM and the Office of Management & Budget should ensure that all RM contracts are submitted and Board-approved prior to renewal dates.

RESPONSE:

- ❖ County confirms audit findings.
- ❖ Note: Although referenced GBS renewal contract proposal was presented prior to renewal effective date [Sept. 14th] there was insufficient time for placement on Board Agenda, prior to renewal date; contract was renewed *pending* Board approval.
- ❖ RM will establish a TPA contract tracking system to ensure proper time frames for contract negotiations and/or renewal processing; receipt/presentation, County Attorney review and Board Agenda prior to renewal date.
- ❖ Future RM-RFPs will include this time critical information; current RM contract vendors will be advised at implementation.
- ❖ Implementation date: May 1, 2005



RESPONSE

DISCUSSION POINTS & RECOMMENDATIONS

RISK MANAGEMENT

17. County disciplinary actions were not enforced regarding preventable accidents involving a County vehicle or equipment.

Recommendation: The Citrus County Employee Handbook, page 66, outlines the Standards of Disciplinary Action Guidelines for preventable accidents with a County vehicle. The three categories of violations are minor, more serious, clear-cut, and extreme. "Sustained violations in one category or accidents will be considered as aggravating circumstances in other categories and may result in a greater penalty than the minimum indicted in these guidelines."

Management should apply County disciplinary action as outlined in the Handbook. Documentation of any disciplinary action taken should be forwarded to RM, as well as HR.

RESPONSE:

- ❖ County acknowledges audit recommendations.
- ❖ County Administration continues to support County Standards of Disciplinary Action Guidelines.
- ❖ RM confirms that, in the minority, claim files exist where RM has requested disciplinary action based on the merits of an auto accident and/or County property damage value involved; however, not enforced by respective Division Director.
- ❖ County will establish a RM claim related disciplinary action request procedure:
 1. Request to Division Director/HR: RM [5 day pend]
 2. Request to Department Director/Div/HR: RM [5 day pend]
 3. Final: Referred to Administration, with #2 copied; RM documents/closes disciplinary request activity.
- ❖ Implementation date: May 1, 2005
- ❖ **NOTE:** Being that we are all here for the County's best interest, we would appreciate that future audit County non-response matters be referred to the County Audit Facilitator during the audit process, rather than the County being advised at publication.



DISCUSSION POINTS & RECOMMENDATIONS

RISK MANAGEMENT

18. MVRs should be requested when an employee is involved in multiple accidents within a six-to-twelve month period involving a County vehicle.

Recommendation: Management should consider amending the County General Driving Guidelines to include mandatory MVRs on employees with multiple driving accidents involving County vehicles within a six-to-twelve month period (regardless of type of violation), as well as safety training and/or defense driving courses as deemed suitable.

Data could be extracted from the RM Liability claims log to determine multiple accidents by the same employee. RM could then request Human Resources (HR) to order an MVR, since it is now HR's responsibility to maintain MVRs on employees.

RESPONSE:

- ❖ County agrees with audit recommendation.
- ❖ RM will establish a risk procedure:
 1. Quarterly: Monitor auto claim logs for employee(s) with multiple preventable accidents;
 2. Second infraction: within a six-twelve month period risk will request HR run an updated MVR;
 3. RM/HR Review: Discuss with Division Director and action, as warranted.
- ❖ RM will be revising the Citrus County Employee Safety Manual, which contains Preliminary Audit referenced County General Driving Guidelines (page 21), to incorporate the County's Return-to-Work Program. At that time, we will also amend page 21 to reflect this enhanced County MVR/claim mid-term process.
- ❖ Implementation: May 1, 2005



DISCUSSION POINTS & RECOMMENDATIONS

RISK MANAGEMENT

19. Citrus County Incident/Claim Reports were not submitted within 48 hours of the incident.

Recommendation: Timely reporting ensures the accurate documentation of the accident, enables management to address any safety issues to prevent future accidents of a similar nature, and accelerates the claims processing for the injured parties and respective insurance companies.

Management should stress to department/divisions the importance of filing the claim report within the specified time frame. Any delays in complying, due to lack of supporting information – photos, police reports, etc., should be noted in the files.

RESPONSE:

- ❖ County agrees with audit recommendation.
- ❖ County Administration convened a Senior Staff session March 2nd to address this subject matter, as well as, emphasizing the importance of Department/Division Director cooperation and their guidance to respective employees to cooperate in meeting RM claim reporting time lines.
- ❖ RM recognizes the process and time factors required for the Department Director signature process. In response, RM will be amending reporting procedures to expedite information to RM:
 1. Copy of completed claim form will be faxed to RM same day as incident without signatures; this will provide RM with pertinent details of incident to begin the claim/County protection process (report to TPA);
 2. Original claim form signature/disciplinary comment(s) process will continue, with original signed/notated document (with applicable attachments) forwarded to risk within 10 days;
 3. Applicable Green Claim Form will be revised and placed on the County intranet, with email announcement County-wide.
- ❖ RM conducted a Claim Forms Workshop on March 3rd, during which time above change(s) was explained to those in attendance.
- ❖ Implementation Date: May 1, 2005



DISCUSSION POINTS & RECOMMENDATIONS

RISK MANAGEMENT

20. Liability Claims Log information did not match the Gallagher Bassett (GB) Loss and claim Experience Report as of March 31, 2004.

Recommendation: RM should compare claims, values, dates, etc. on the Liability Claims Log to GB Loss & Claim Experience Reports on a quarterly basis to verify accuracy and reconcile reimbursements suitable.

RESPONSE:

- ❖ County agrees with audit findings.
- ❖ RM will re-establish this as a Risk Assistant quarterly task, due 45 days post quarter end date [note: month end loss runs received 15 days from month end date].
- ❖ Implementation: May 1, 2005 [loss runs dated March 30th]



DISCUSSION POINTS & RECOMMENDATIONS

RISK MANAGEMENT

21. Reimbursements for accidents and restitution by third parties were not recorded on the log that tracks amounts owed to the County. Additionally, several other claims were not listed.

Recommendation: RM should review all outstanding claims in which third parties owe the County. All claims should be listed on this log, indicating original value of claim, as well as payment activity and balance due.

RESPONSE:

- ❖ County agrees with audit recommendation.
- ❖ RM views this as a staff processing deficiency.
- ❖ This process will be re-evaluated and designated as a Risk Assistant quarterly function, developed into a written risk workflow.
- ❖ Implementation: May 1, 2005.



DISCUSSION POINTS & RECOMMENDATIONS

A.J. GALLAGHER & CO. (FLORIDA)

22. An aggregate excess recovery check, in the amount of \$7,017.50, for claim year twelve, October 1, 1995 – April 1, 1997, was received by the County seven and one half years after the coverage period.

Recommendation: RM, along with GBS, should ensure that reimbursements from insurance companies participating in the County's insurance program are recorded, tracked, and received in a timely manner.

RESPONSE:

- ❖ County does not agree with audit discussion point and/or recommendation.
- ❖ Draft Audit Report states generalities and is not representative of factual information relative to referenced aggregate excess program term calculation.
- ❖ The "claim year twelve" references program term year; the twelfth policy year the County elected an aggregate excess program.
- ❖ An Aggregate Excess program is accumulative for all losses for policy term once aggregate loss fund for policy term is exceeded; respective term aggregate excess calculation did not generate a recovery until 2004.
- ❖ Complexity of claims and length of time open are major components of aggregate excess recovery, coupled with the specific calculation periods applicable to the process.
- ❖ An Aggregate Excess calculation is separate from claims payment practices utilized in the insurance industry [regulated by type of claim], and applicable to the named insured, not a third party claimant.
- ❖ An aggregate excess recovery calculation is based on loss runs valued at:
 - 24/36/48/60/72 + months post expiration date of insurance program continuing in 12 month intervals until all claims in term year closed;
 - Fund adjustments, if applicable, within 90-180 days post review;
 - County provided with aggregate excess calculations annually for respective term years, for review/tracking, until all claims closed;
 - Not all years will yield aggregate excess recoveries;
 - Litigated cases take 5-10 years for final closeout/recovery.



RESPONSE

Point #22 Continued on page 25
Point #22 Continued from page 24

DISCUSSION POINTS & RECOMMENDATIONS

A.J. GALLAGHER & CO. (FLORIDA)

- ❖ RM confirmed recovery check in question transacted based on one specific County liability claim, which closed in June 2004. Process appears to have been handled timely, noting a litigated case file greatly impacted respective aggregate excess term and adjustment, as follows:
 - Date of Accident: 3/21/97
 - **Reported to TPA/Insurance Carrier: 3/18/98 FATALITY**
 - Policy Term: October 1, 1995 to April 1, 1997
 - Auto Accident/County Intersection
 - Litigated | Outside Council w/County Attorney
 - Multiple Plaintiffs, including minor son of deceased
 - May 2003 : Claim Settled [Insurance Carrier/Board Approved/County Attorney/Outside Council]
 - June 2003: Claims Bill Filed, minor son [claim not considered closed]
 - May 2004: Claim Bill died in Legislative Committee
 - June 2004: Gallagher Bassett advised/closed claim file
 - June 2004: Final Expenses \$40,933.93 (*) posted
 - Total Value of Claim: \$440,993.93

- ❖ Policy Term: October 1, 1995 to April 1, 1997:
 - April 30, 2004 Aggregate Recovery Calculation
 - Aggregate Loss Fund: \$562,500.00
 - April 2004 Losses: \$528,583.57
 - NO AGGREGATE RECOVERY

- ❖ Significant claims for policy term closed June 2004:
 - July 31, 2004 Aggregate Recovery Calculation
 - Aggregate Loss Fund: \$562,500.00
 - July 31, 2004 Losses: \$569,517.50
 - EXCESS RECOVERY: (\$ 7,017.50)

- ❖ County received Aggregate Excess recovery check October 2004.



DISCUSSION POINTS & RECOMMENDATIONS

A.J. GALLAGHER & CO. (FLORIDA)

23. The AJG Citrus Property Analysis Report (CPAR) vs. Citrus List and the Summary Report for Citrus County did not accurately reflect the County's assets.

Recommendation: An annual, comprehensive, line-by-line review should be performed to reconcile all assets listed on the AJG Insurance Schedule with the Fixed Assets Clerk's records, as well as the records of other departments/divisions/Agencies who are covered under the County's insurance program. A copy of the AJG's Schedule should be provided to the Fixed Asset Clerk for reconciliation with County Fixed Asset records.

RESPONSE:

- ❖ County acknowledges audit recommendation.
- ❖ RM cannot speak to past County risk manager practices in reviewing location schedule and asset values.
- ❖ AJG confirmed that AJG risk staff, and County Risk Assistant worked directly with Fixed Asset Clerk in a location-by-location review of the CPAR during the FY05 renewal update process.
- ❖ RM will establish an annual risk procedure for review of the CPAR, that will partner County Risk Assistant and County Fixed Asset Clerk, with time lines conducive to the annual insurance renewal processes.
- ❖ March 2005: Administration identified this RM goal; mandatory implementation for FY06.
- ❖ Implementation Date: May 1, 2005



RESPONSE

DISCUSSION POINTS & RECOMMENDATIONS

A.J. GALLAGHER & CO. (FLORIDA)

24. The County should periodically seek bids for insurance and claims processing services.

Recommendation: The competitive bidding process and/or requests for proposals ensures coverage is obtained at the most effective price. Administrative Regulation (AR) 02.13, Citrus RM Policy, Insurance Marketing Policy, page 3, states that competition shall be periodically required in the purchase of insurance policies. It further states that premium cost should receive major emphasis, so long as other considerations are consistent.

AJG conducts an annual market analysis prior to renewal dates of the County's insurance policies to obtain the County's insurance package. However, the last RFP for property and casualty and broker services was performed in April of 1997. Considering the dynamic insurance environment in Florida, bids or RFPs should be initiated every three years, so additional insurance brokers and companies may participate to ensure the County is obtaining the most effective price.

AR 9.01-7 requires official sealed bids for all approved purchases and services that will aggregate to \$10,000 or greater from one vendor during a 12-month period.

Since PGCS has served the County as the TPA for workers' compensation claims since 1994, it is recommended that the bid/RFP process be initiated prior to the next contract renewal to ensure the County is obtaining the most cost effective price, and to comply with County policy.

To comply with County AR 9.01-7, it is recommended that the competitive bid process be initiated prior to CorVel Corporation's contract renewal in March to ensure the County is obtaining the most effective price. PGCS staff indicated a competitive market exists for these services, and that the County could possibly engage another provider with lower rates.

Payments to PGCS and CorVel Corporation are remitted as services are rendered, while payments to Gallagher Bassett Services are prepaid at the beginning of the contract. It is recommended that the terms in any future contracts with GBS stipulate that payments share be remitted on a quarterly basis, as services are rendered.

A conflict of interest exists since the Area Vice President and Branch Director of the Public Entity & Scholastic Division of A.J. Gallagher is performing duties in the capacity of Risk Manager. An Independent Insurance Committee comprised of individuals unrelated to the RM office should be created to conduct the insurance bid/RFP process, and oversee changes in the County's insurance requirements. This Committee should report to the Board to achieve independence and eliminate the appearance of any impropriety or unfairness in the selection process.

RESPONSE:

- ❖ County Administration strongly supports the competitive bid process, as well as good business practices for the better good of the County.
- ❖ On an annual basis, AJG performs a competitive insurance market effort on the County's behalf providing the County with responding insurance carriers program terms, conditions and costs for County insurance committee review and selection.

Point #24 Continued on page 28



RESPONSE

Point #24 Continued from page 27

DISCUSSION POINTS & RECOMMENDATIONS

A.J. GALLAGHER & CO. (FLORIDA)

- ❖ County Administration appreciates auditor's recommendation on bid/RFP timelines and will take under consideration.
- ❖ March 2004: County Risk Consultant identified PGCS and Gallagher Bassett TPA Contracts as a Risk RFP FY05 goal, for FY06 contract year.
- ❖ RM TPA-RFP process timed to industry standards relative to transfer of information and financial arrangements required for processing of claims, as well as, transitional issues.
- ❖ County RM found auditor's comments on CorVel curious in that CorVel's contract is a cut through, negotiated and place on the County's behalf by PGCS. As case management goes part and parcel with WC/TPA services, this component will be included in the WC/TPA RFP process, third quarter FY05 [CorVel on a month-to-month, 30 day cancellation, without penalty agreement].
- ❖ County Risk acknowledges auditor's recommendation on remittance schedule for TPA services and will take same under advisement, noting that Liability TPA industry may not yield suggested result; County will seek best terms.
- ❖ January 2001: County Administration established an Insurance Committee comprised of:
 - County Administrator
 - Assistant County Administrator
 - Director of the Office of Management and Budget
 - Director of the Office of Human Resources
 - Purchasing
 - Department Director [if department specific, example: Fire]
- ❖ County Administrator reports to the Board



RESPONSE

COUNTY RESPONSE

SUMMARY

We appreciate those recommendations set forth in the Preliminary Draft Audit Report and view all as an advisory component, as intended, noting that the audit objective is not defined to “direct the manner in which County Operations shall be carried out.”; [County/Clerk Interlocal Agreement, Relating to Internal Audit Services, dated March 12, 2002; page 2, Section 3: Audit Objectives.]

Overall, many of the discussion points and recommendations stated in the Preliminary Draft Audit Report align with 2004-2006 Administration/RM goals, or will ultimately be impacted by the results of those goals, with the remaining immediate points addressed within County response document.

County Administration is aware of RM team leader changes is, and has been, very concerned with the lack of experienced, professional risk managers being attracted to the County for this section position. In September 2003, when the risk manager was again vacated, the County could ill afford a short tenured replacement. Administration viewed this action as an opportunity to re-structure RM, set procedural and program benchmarks that reflect Board/Administration’s philosophies, and elevate RM to a professional level that would attract a knowledgeable and professional risk manger to our good County.

With that in mind, Administration realized that the most beneficial and cost effective approach would be to elicit the assistance of a company that knows and understands Citrus County operations. A professional, reliable company that takes direction well and respects the Board’s, and Administration’s, philosophies and visions for the County’s future.

Arthur J. Gallagher & Co. (Florida) is an industry leader in Public Entity Risk Management Consultant Services and Insurance Brokerage Services, having stepped to the plate to assist the County in RM since 1998, pro bono. Administration’s assessment indicated that it would take a minimum of two-years to reorganize County RM; the first year to evaluate and develop long needed RM program [goals] with the second year for implementation, setting RM policy/procedures, including placement of a full-time Risk Manager. Included in the plan is reverting to the County RM insurance program RFP schedule of five year intervals.

In addition, based on audit recommendations, County Administration has requested an evaluation to determine if a claims/insurance specialist position is best suited for the RM section to ensure proper claims and TPA contract management.

Thank you.