

Summit County Executive Office
Department of Risk Management
Performance Audit – General Report

Prepared for:

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Approved by Audit Committee
June 22, 2020



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EXECUTIVE SUMMARY

Total Number of Issues –4

Policies and Procedures

Section	# Issues	Issue Descriptions	Page Ref.
Policies and Procedures Manual	1	<ul style="list-style-type: none"> • Instances where no policies exist over Risk Management Department functions. 	5

Internal Controls

Strong Internal Controls:

Testing Section	# Issues	Issue Description	Page Ref.
Payroll	0	N/A	6
Fleet Management			6

Weaknesses in Internal Controls:

Testing Section	# Issues	Issue Descriptions	Page Ref.
Insurance	3	<ul style="list-style-type: none"> • No procedure over handling citizen complaints received by the Department (e.g., damage to vehicles from potholes) and complaints received are not documented. • Instances where an employee was not bonded in accordance with ORC § 325.071. • Instances where a Summit County owned property was not included on the Insurance Policy Listing. 	6

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GENERAL BACKGROUND

The Risk Management Department, under the direction and jurisdiction of the Summit County Executive Office, is responsible for insurance procurement, loss control, claims handling, accident investigations, adjusting services, contract review and special projects as assigned. Additionally, the Risk Management Department is responsible for the fleet management for a number of Summit County departments. These services include: acquisition of county vehicles, disposition of county vehicles, and notifying departments that their vehicles are due for emissions test (e-check).

AUDIT OBJECTIVES, SCOPE, AND METHODOLOGY

The primary focus of this review was to provide the Executive Office – Department of Risk Management (Risk Management Department) with reasonable assurance, based on the testing performed, on the adequacy of the system of management control currently in effect for the audit areas.

Management controls include the processes for planning, organizing, directing, and controlling program operations, including systems for measuring, reporting, and monitoring performance. Management is responsible for establishing and maintaining effective controls that, in general, include the plan of organization, as well as methods and procedures to ensure that goals are met. Specific audit objectives include evaluating the policies, procedures, and internal controls related to the Risk Management Department.

We conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

Based on the results of our review, we prepared specific issues and recommendations for improvement that were discussed with management. These recommendations, as well as management’s unaltered written response, can be found in the following sections of this report.

Objectives:

- To obtain and review the current policies and procedures.
- To review the internal control structure through employee interviews and observations.

Scope:

An overview and evaluation of the existing policies, processes, procedures, contracts and internal control structure utilized by the Risk Management Department from September 1, 2018 through September 30, 2019.

The following were the major audit steps performed:

OBJECTIVE 1 – POLICY AND PROCEDURES REVIEW

1. Obtain and review the current policies and procedures.
2. Meet with the appropriate personnel to obtain an understanding of the current department processes and procedures. Compare those existing processes to the policies and procedures manual for consistency, noting all exceptions.
3. Obtain and review the document retention policy and determine if policies and procedures are currently in place and being followed.
4. Test procedures for mandatory compliance where applicable.
5. Identify audit issues and make recommendations where appropriate.

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OBJECTIVE 2 – REVIEW OF INTERNAL CONTROLS

6. Meet with the appropriate personnel to obtain an understanding of the control environment.
7. Document the existing control procedures in narratives and/or flowcharts.
8. Compare existing processes to the policies and procedures manual for consistency.
9. Test procedures for compliance where applicable, noting all exceptions.
10. Investigate discrepancies and summarize results.
11. Make recommendations where appropriate.

DETAILED COMMENTS

Interviews:

To gain an understanding of the Risk Management Department, IAD performed interviews with the following positions:

- Deputy Director – Insurance
- Staff Attorney 1
- Fleet Manager

Any issues noted are addressed in the respective sections of this report.

I. Policy and Procedures Review:

Risk Management Department policies and procedures were reviewed for each of the following applicable testing sections within the audit for accuracy and completeness and compared to current processes for consistency. The Risk Management Department Records Retention Schedule was also reviewed for completeness and compared to processes throughout the audit to ensure that the schedule contained all relevant documents.

The following issue was noted:

1. Issue:

Upon discussion with Risk Management Department personnel, IAD noted no policies exist over the following areas, including but not limited to:

- Property/vehicle insurance,
- Fleet management (e.g., departments covered under fleet manager, duties of fleet manager, e-check process, etc.),
- Bonding requirements/procedures for public officials,
- Insurance claim processing,
- Payment plans for uninsured motorists.

Recommendation:

IAD recommends that policies and procedures be created/updated, approved, and disseminated over all functional areas within the department. This will help to ensure that proper procedures are in place and consistently followed within the department.

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Management Action Plan:

Complete policies and procedures for property/vehicle insurance, bonding, insurance claims, and payment for uninsured motorists.

Target date is 6/1/2020.

Fleet Management – complete policies and procedures for department.

Target Date: 12/31/2020

II. Internal Control Testing:

Risk-based internal control testing and/or observations were performed in the following areas:

- Payroll
- Fleet Management
- Insurance

PAYROLL

A sample of non-exempt employees was selected and detail testing was performed to ensure employees are compensated for compensatory time/overtime earned in accordance with the Fair Labor Standards Act (FLSA).

No issues noted.

FLEET MANAGEMENT

An interview was conducted to gain an understanding of the fleet management process. A sample of auctioned vehicles was selected to ensure the vehicle was posted to the Summit County surplus website and an Executive Order was obtained to dispose of the vehicle, in accordance with policies and procedures and Summit County Codified Ordinance § 177.18.

No issues noted.

INSURANCE

Risk Management Department policies and procedures and Summit County insurance provider policies were reviewed, flowcharts were created, and interviews were conducted to gain an understanding of the Risk Management Department functions. Laws and regulations regarding the bonding of county employees were reviewed, a sample of employee positions was selected and detail testing was performed to ensure employees are bonded for the correct amount in accordance with the Ohio Revised Code and Summit County Codified Ordinances. A sample of at-fault and not-at-fault vehicle accidents was selected and detail testing was performed to ensure compliance with department procedures and Summit County Codified Ordinances. The process of handling resident complaints regarding vehicle damage from a pothole was reviewed to ensure complaints are handled in compliance with departmental policies and procedures.

The following issues were noted:

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2. Issue:

Upon discussion with personnel, IAD noted no procedure is in place regarding handling citizen complaints received by the Risk Management Department (e.g., damage to vehicles from potholes, etc.). In addition, complaints received are not documented; therefore, testing was unable to be performed.

Recommendation:

IAD recommends that policies and procedures be created/updated, approved, and disseminated regarding the documentation of citizen complaints. Additionally, IAD recommends complaints be documented when received. This will help to ensure that proper procedures are in place and consistently followed within the department.

Management Action Plan:

Complete policies and procedures for citizen complaints under ORC. Response to complaints will always be in accordance with statute.

Target Date: 6/1/2020

3. Issue:

Upon detail testing, IAD noted one (1) out of fourteen (14) instances where an employee was not bonded in accordance with Ohio Revised Code (ORC) § 325.071.

Recommendation:

IAD recommends that all required employee be bonded in accordance with ORC. This will help to ensure compliance with ORC.

Corrective Action Taken Prior to the End of Fieldwork:

IAD noted the one (1) instance where an employee was not bonded for the correct amount was corrected prior to the end of fieldwork. IAD obtained documentation of an updated bond for the employee and noted the bond was increased above the employee's current salary.

Management Action Plan:

Adopt policies and procedures in compliance with ORC.

Target Date: 6/1/2020

4. Issue:

Upon detail testing, IAD noted five (5) out of one hundred and twenty-four (124) instances, or 4%, where a Summit County owned property was not included on the Property Insurance Policy listing.

Recommendation:

IAD recommends that all Summit County owned properties be included on the Insurance Policy listing. This will help to ensure all County properties are insured.

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Management Action Plan:

List all parcels on the property list regardless of value. List vacant property separately but will not insure. Complete policies and procedures to govern maintenance of list and insurance values.

Target Date: 6/1/2020