

**Summit County Executive Office
Department of Insurance and Risk Management
Audit Report**

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Background, Objectives and Methodology**

GENERAL BACKGROUND

The Department of Insurance and Risk Management, under the direction and jurisdiction of the Summit County Executive's Office, is responsible for administering the County's self-insured employee health plan, workers compensation programs, insurance procurement, loss control, claims handling, accident investigations, adjusting services, contract review and special projects as assigned.¹ It represents \$45,398,100 (8.8%) of the County's \$517,646,916 operating budget for 2011,² and consists of eight (8) full time employees.

AUDIT OBJECTIVES AND METHODOLOGY

The primary focus of this review was to provide the Summit County Department of Insurance and Risk Management (Insurance 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 Insurance 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 this risk based audit, 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:

1. To obtain and review the current policies and procedures.
2. To review the internal control structure through employee interviews, observations and testing.
3. To perform a general overview of the physical environment and security of the facilities, data, records and departmental personnel.

Report Structure:

Results from testing of internal controls, as noted in objective 2 above, have been organized to show areas with the highest financial and/or non-financial risk first.

¹ <http://www.co.summit.oh.us/executive/insurance.htm>

² <https://scene.summitoh.net:444/pdfs/Internet%20PDFs/County%20of%20Summit%202011%20Operating%20Budget.pdf>

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Scope**

Scope:

An overview and evaluation of the existing policies, processes, procedures, contracts and internal control structure utilized by each department.

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.

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.

OBJECTIVE 3 – REVIEW OF SECURITY (covered in a separate report in compliance with O.R.C. §149.433).

12. Perform a general overview of the physical environment and security of the department/ agency being audited.
13. Interview various personnel to determine that confidential information is secure and processed only by appropriate parties.
14. Test security issues where appropriate.
15. Analyze current policies and make recommendations.

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Detailed Comments**

I. Policies & Procedures Review:

IAD obtained and reviewed the following Insurance Department policies and procedures to gain an understanding of departmental processes and to review the documentation for completeness:

- a. Insurance Benefits Procedures manual,
- b. Accounts Payable procedure,
- c. Cash Receipts procedure,
- d. COBRA Participants procedure,
- e. Employee Co-pays procedure,
- f. Accident/Incident procedure,
- g. County-Insured Vehicles procedure,
- h. Payroll Processing procedure.

In addition, the Insurance Department records retention schedule (RC-2) was obtained and reviewed for completeness.

The following issue was noted during detail testing:

1. Issue:

Upon review of the Insurance Department Policies and Procedures, IAD noted the following:

- There was no comprehensive departmental procedures manual; however, several staff had stand-alone procedures for their respective functions,
- There were no formal written procedures for several of the day-to-day functions of the department (e.g., open enrollment, eligibility verification, prevailing wage compliance, maintenance of property schedules, payroll reconciliation, County wellness programs, processing 457 withdrawals, etc.),
- There were incomplete procedures (e.g., Cash Receipts),
- There was information referenced in the procedures that was outdated (e.g., Accounts Payable, Cash Receipts, COBRA Participant, Payroll Processing, Workers Compensation),
- There were names rather than titles referenced in the manual.

Recommendation:

IAD recommends that the Insurance Department continue their efforts to create, update, approve, and disseminate formal written administrative and functional policies and procedures for all of the processes of the department and incorporate them into a policies and procedures manual. These policies and procedures should include effective and revision dates as well as approvals. This will help to ensure that procedures are in place to consistently achieve departmental goals.

Management Action Plan:

Director and Deputy Director will work with staff to formulate comprehensive policy and procedure manual. As appropriate, the policy will address cross-training and the assignment of a back-up person for each member of the staff specifically assigned a task identified in this Management Action Plan. The manual will then be maintained and updated periodically as needed. This will be completed by April 1, 2012.

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II. Internal Control Testing:

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

- Cash receipts and accounts receivable,
 - Outside agency contracts,
 - COBRA payment,
 - Unpaid leave of absence,
 - Wellness programs (LiteStyle),
 - Pharmacy rent and rebates,
 - Ohio Bureau of Workers' Compensation (BWC) Safety Council rebates,
 - Third party insurance claims reimbursement,
- Payroll to benefits reconciliation,
- Property and casualty insurance,
- Expenditures,
- Fringe benefits.

CASH RECIEPTS AND ACCOUNTS RECEIVABLE

The Insurance Department is responsible for the collection of funds due to the County for insurance related items. The following policies and procedures for the following areas were obtained and reviewed:

- Cash Receipts,
- COBRA Participants Procedures,
- Employee Co-pays,
- Accident & Incident Procedures.

An interview was conducted and a walkthrough of the deposit process was performed with the Benefits Specialist 2 to gain an understanding of the funds collection, funds deposit and account balance tracking processes and its related internal controls environment.

A Banner report was generated of all deposits made from April through June 2011. During discussions with the Benefits Specialist 2 it was noted that prior to April 2011, it was the responsibility of the Department of Finance and Budget to deposit funds received by the Insurance Department, therefore limiting the scope for testing. Fifteen (15) out of one hundred forty one (141) transactions were randomly selected for detailed testing to confirm that deposits were made timely, in accordance with O.R.C. §9.38 "Deposit of Public Moneys", the amount of the cash receipt agreed to the pay-in sheet, and that the amount on the pay-in sheet agreed to Banner. In addition, it was confirmed that the deposits are reconciled to Banner after they are posted.

The following issues were noted during detail testing:

2. Issue:

Upon discussions with Insurance Department personnel and review of the accounts receivable/cash receipts process, IAD noted that the same employee is responsible for invoicing, receiving funds, depositing funds, and reconciling deposits for the following areas:

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- a. Outside Agency Premiums,
- b. COBRA,
- c. Pharmacy Rent,
- d. Employee Assistance Program (EAP).

It was also noted that the employee is responsible for receiving, depositing, and reconciling cash for the following additional functions:

- a. Employee premiums for unpaid leave of absences,
- b. Lifestyles Wellness Program,
- c. Third Party Insurance claims reimbursements,
- d. Prescription Rebates,
- e. BWC Safety Council Rebates.

Recommendation:

IAD recommends that the Insurance Department assign the invoicing, receipting, depositing, and reconciling functions to separate employees. This will provide for an appropriate segregation of duties and will help to ensure the safeguarding of County assets.

Full Corrective Action Taken Prior to the End of Fieldwork:

On 5/20/11, the Director of Finance and Budget authorized a change in process which results in the invoicing, receipting, depositing, and reconciling functions to be segregated within the Insurance Department. IAD observed the new process and reviewed the cash log spreadsheet maintained by the individual responsible for receipting cash.

3. Issue:

During discussions with Insurance Department personnel, it was noted that there are currently no reports being generated listing open invoices and outstanding aged balances for the following receivables:

- Outside agency premiums,
- Pharmacy rent,
- Employee Assistance Program (EAP),
- COBRA,
- Employee premiums for unpaid leave of absence.

During testing, IAD confirmed that there are outstanding balances for three (3) of the five (5) types of receivables listed above.

Recommendation:

IAD recommends that the Insurance Department develop and generate open invoice and outstanding aged balances reports for all receivables. This will help to ensure that the Insurance Department has a documented listing and is aware of outstanding account balances so that timely action can be taken if necessary.

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Management Action Plan:

Director and Deputy Director will work with Ben Franjesevic to create reports for aging receivables and determining outstanding account balances for outside agency premiums, pharmacy rent (and income if applicable), EAP payments, COBRA, and employee insurance premiums as applicable. They will also establish a policy whereby reports are run regularly and reviewed by an assigned staff member to ensure proper collection. This will be accomplished by April 1, 2012.

Outside Agency Contracts

The Insurance Department allows other Summit County governmental agencies to contractually participate in the benefit plans provided to County employees. The entities are responsible for both employer and employee portions of the cost and are invoiced monthly. A walkthrough of the invoicing process was performed with the Office Manager and Benefits Specialist 2 to obtain an understanding of the process and its internal controls environment.

Invoices for January through May 2011 health premiums were obtained for the following agencies:

- Summit/Akron Solid Waster Management Authority,
- NEFCO (Northeast Ohio Four County Regional Planning & Development Organization),
- Ohio Small Business Development Center,
- Summit County Historical Society,
- Veterans Service Commission.

2010 and 2011 insurance rate spreadsheets utilized by the department were obtained and traced and agreed to rates established by legislation and board approvals to confirm accuracy. The 2011 employee benefits file was obtained from the County's BenXpress Representative to verify employee benefit elections. A recalculation of the above noted invoices was performed to confirm accuracy.

A Banner report was generated listing all payments received from outside agencies for insurance premiums for 2010-11. The report was compared to total billing to determine if there are any outstanding balances for health premiums.

Contracts for two (2) out of three (3) municipalities participating in the County Employee Assistance Program (EAP) were obtained and reviewed to determine how services are charged in order to test the accuracy of the billing. Employee census reports were also obtained to determine the size of the participation population for each municipality. Testing was performed to confirm accuracy of amounts invoiced and to determine whether there were any past due outstanding balances.

The following issues were noted during detail testing:

4. Issue:

Upon request for copies of active contracts it was noted that there are no written contracts in place for the following outside agencies:

- Summit/Akron Solid Waste Management Authority,
- NEFCO,
- Ohio Small Business Development Center,

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- Summit County Historical Society.

These agencies are currently participating in the County's health benefit plans; however, there are no agreements in place to legally bind the agencies to specific terms for participation in the County benefit plans.

Recommendation:

IAD recommends that the Insurance Department contact the Law Department regarding the contracts for the above noted agencies participating in the County benefit plans. IAD also recommends that, in the future, the Insurance Department does not allow any entity to participate in the County benefits plan without having a binding contract in place. This will help to ensure that proper documentation is in place in the event of agency default.

Management Action Plan:

Director will analyze the proper mechanism for each outside agency (i.e. regionalization versus other agreement) to be maintained on County benefits plans. Once the proper mechanism is identified the Director and Deputy Director will contact outside agencies to arrange establishing the proper contractual arrangement. This will be accomplished by March 1, 2012.

5. Issue:

During testing of 2011 outside agency billing, generated from the Insurance Department database, IAD noted three (3) of the five (5) agencies having incorrect billing amounts, with two (2) resulting in an outstanding balance. Additionally, one (1) of the two (2) agencies was noted as having an outstanding balance resulting from non-payment.

Recommendation:

IAD recommends that billings to outside agencies are compared to the information in the BenXpress file to confirm benefits elections, rates, etc. in order to help to ensure accuracy of the billings. Additionally, IAD recommends that an outstanding aged balances report be created to provide a listing of outstanding balances at any given time. This will help to ensure that the Insurance Department is aware of past due accounts.

Management Action Plan:

Director and Deputy Director will ensure that the billings and balances reflected in this issue are resolved as part of the resolution to Issue 3 as well as issue 4. The contractual terms will have to be reflected in the billing and thus will be a necessary first step to the resolution of this issue. A specific employee will be assigned to review aging reports and outstanding balances on a regular basis. This will be accomplished by March 1, 2012.

6. Issue:

Upon review of the EAP contracts and corresponding invoicing, it was noted that there is no written contract in place for one (1) of three (3) entities participating in the program, therefore there is nothing in place to legally bind the agency to specific terms for participation in the program.

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Recommendation:

IAD recommends that the Insurance Department contact the Law Department regarding a contract for the agency participating in the County EAP program. IAD also recommends that, going forward, the Insurance Department does not allow any agency to participate in the County EAP program without having a binding contract in place. This will help to ensure that proper documentation is in place in the event of agency default.

Action Taken Prior to the End of Fieldwork:

On 7/13/11, IAD was provided with documentation that the Insurance Department contacted the Law Department, requesting that a contract be written for the above noted agency.

Management Action Plan:

The EAP program has going out for bid. Upon selection of the vendor, the Director and Deputy Director will ensure that new contracts are drafted for all outside entities utilizing the EAP plan through the regionalization program. Thereafter, any entity joining the plan will be integrated using the same contract and procedure. This will be completed by April 1, 2012.

Cobra Payments

COBRA benefits are offered to all employees upon separation. The separated employee is responsible for the entire cost of the benefits provided. A walkthrough of the COBRA process was performed with the Benefits Specialist 2 and the Office Manager to gain an understanding of the process and its internal controls environment.

A Banner report was generated listing all COBRA payments received in 2011. IAD selected all thirty-one (31) participants with payments in 2011 for detailed testing. Respective employee files were obtained which contained notification letters, enrollment forms, etc. Premiums were recalculated using the insurance rate spreadsheets for 2010 and 2011 along with the enrollment forms found in each participant's file to confirm accuracy and were compared to payments received as noted in Banner to determine if there were any outstanding balances.

The Employer's Guide to Group Health Continuation Coverage under COBRA was obtained from the US Department of Labor Web Site to test for compliance of the following:

- Timeliness of Notification letter,
- Timeliness of participant elections,
- Timeliness of 1st payment,
- Maximum period of coverage exceeded.

The following issues were noted during detail testing:

7. Issue:

During testing of COBRA plan participants with payments in 2011, IAD noted ten (10) out of thirty (30) instances with an outstanding balance for the following reasons:

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- Two (2) instances resulting from non-payment of premiums,
- Seven (7) instances resulting from improper allocation of premiums when a payment period fell between two (2) years,
- One (1) instance resulting from both non-payment of premiums and improper allocation of premiums when a payment period fell between two (2) years.

Upon comparison of the testing performed to the COBRA aging report generated from the Insurance Department database, it was noted that the aging report did not agree to the testing.

Recommendation:

IAD recommends that the Insurance Department review payments in Banner and compare them to the information in the database. This will help to ensure that the database reflects the correct information to allow for accurate reporting. In addition, IAD recommends that the Insurance Department properly allocate premium amounts in instances where a payment period falls between two (2) years.

IAD also recommends that in instances where a participant has an outstanding balance past the 30-day grace period, the Insurance Department make every effort to contact the individual notifying them that termination of benefits will take place in the event of non-payment. This will help to ensure that Summit County is being reimbursed for benefits provided to separated employees.

Management Action Plan:

The Director and Deputy will establish a policy (as part of the resolution to issue 1) whereby a specific employee is assigned to audit the insurance database for COBRA payments due against Banner reporting of actual payments received and processed. Further, that employee will conduct an annual review to determine premium changes and how those changes should be applied to COBRA participants, in order to ensure correct billing between policy periods. This will be accomplished by April 1, 2012.

8. Issue:

During testing of compliance with COBRA regulations, it was noted that one (1) of thirty-one (31) participants exceeded the maximum period of coverage that is mandated by federal law.

Recommendation:

IAD recommends that the Insurance Department begin to consistently generate and review a report listing of COBRA participants and their dates of enrollment and termination. This will help to ensure that proper monitoring of coverage periods is being performed and that the Insurance Department is in compliance with federal laws.

Management Action Plan:

As part of the resolution to Issue 7, the Deputy Director will develop a schedule and determine the employee responsible for reviewing the COBRA reports to ensure that any employee no longer eligible is properly notified of the change in their status, and then removed from the plan. This will be completed by March 1, 2012.

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Unpaid Leave Of Absence

Employees who are on unpaid leave of absence are not removed from County benefits and are obligated to pay their portion of premiums. A walkthrough of the process was performed with the Benefits Specialist 2 and the Office Manager to gain an understanding of the process of obtaining reimbursement from employees for their portion of benefit premium and the internal controls environment surrounding the process.

A Kronos report was generated listing employees with eighty (80) hours or more of unpaid leave of absence in 2011. A sample of ten (10) out of thirty (30) employees was randomly selected for detailed testing to determine if there were any past due outstanding balances.

The following issue was noted during detail testing:

9. Issue:

During testing of employees with eighty (80) hours or greater of unpaid leave in 2011, IAD noted three (3) out of ten (10) employees with a past due balance for the employee portion of benefit premiums.

Recommendation:

IAD recommends that the Insurance Department make every effort to collect all past due balances from employees that owe the County for their portion of benefit premiums to help to ensure that the County is reimbursed for the expense.

Management Action Plan:

The Director and Deputy will establish a policy (as part of the resolution to issue 1) whereby a specific employee is assigned to audit the insurance database for payments due from employees on unpaid leave (as verified by Kronos data). Further, that employee will be assigned to contact employees with a past due balance to make arrangements for payment. This will be accomplished by April 1, 2012.

WELLNESS PROGRAM (LIFESTYLE)

LiteStyle is a personalized and medically supervised ten (10) week program that provides employees with the tools needed to have a healthier lifestyle. Participants are charged an enrollment fee that is returned, on a prorated basis, upon completion of the program. A walkthrough of the program was performed with both Benefits Specialists 2 to gain an understanding of the program and its specific guidelines.

The most recently completed LiteStyle program was selected for detailed testing (January 2011). Training and nutrition class attendance rosters were obtained to determine the number of nutrition classes and training sessions completed for each participant. All participants on the rosters were selected for testing. IAD recalculated the reimbursement based on the participant's completion of classes or sessions and payment of enrollment fee. The recalculated reimbursements were traced and agreed to Banner detail to confirm accuracy of reimbursements made.

The following issue was noted during detail testing:

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10. Issue:

During testing of the most recently completed LiteStyle Wellness Program, the following was noted:

- Fourteen (14) out of fifty-nine (59) instances where the employee/participant was improperly reimbursed,
- Eight (8) out of eight (8) applicable instances where the employee/participant did not reimburse the County for missed classes/sessions when the cost exceeded the enrollment fee paid by the participant. In three (3) of the eight (8) instances, the employee was also reimbursed by the County.

Per the LiteStyle agreement, the participant/employee will reimburse the County \$15 per each class/session missed. This amount is deducted from the reimbursement of the enrollment fee paid, and any remaining amount due is to be reimbursed back to the County.

Recommendation:

IAD recommends that the Insurance Department confirm in Banner that the enrollment fee is paid prior to the employee/participant beginning the program. In addition, IAD recommends that attendance be better monitored and reviewed to determine the correct amount to be reimbursed to each participant.

IAD also recommends that the Insurance Department determine if reimbursement to the County should be made by the employee in the event that total penalties for classes/sessions missed exceeds the cost of enrollment for each participant. This should be documented in the enrollment agreement.

Management Action Plan:

Director and Deputy Director will establish a procedure (as part of Issue 1 resolution) to better track employee compliance with LiteStyle agreement, to ensure that enrollment fees are collected (audited against Banner) and that only correct reimbursements are paid based on attendance (as verified by LiteStyle coordinator and AGMC Wellness Center records). This will be accomplished by January 31, 2012.

Pharmacy Rent And Rebates

The County leases space to ExpressMed to operate a pharmacy within the Ohio Building. The agreement between Summit County and ExpressMed and Resolution 09-334 approving the terms of the contract were obtained and reviewed. A walkthrough of the Pharmacy Rebate receipt process was performed with the Benefits Specialist 2 to gain an understanding of the process.

Supporting documentation was obtained for the rebates received in 2011. Upon review, it was noted that a basic summary is provided by ExpressMed listing the rebate amount by group and plan but shows no detail of sales. Based on the limited supporting documentation, IAD was not able to perform detailed testing of the pharmacy rebates.

The following issues were noted during detail testing:

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11. Issue:

Upon review of Exhibit B of the Express Med Pharmacy Service contract, it was noted that the County is to receive, on a quarterly basis, 30% of the net profit of pharmacy retail sales. Through testing it was noted that no payments have been received from ExpressMed attributable to net profit, nor has there been any supporting documentation provided stating the position of pharmacy sales at the time of the audit.

Recommendation:

IAD recommends that the Insurance Department contact ExpressMed to obtain copies of financial statements for the contract period in order to determine if any amounts are due to the County, and if any amounts are due, collection efforts should be made. Additionally, IAD recommends that the department require ExpressMess to submit quarterly net profit statements for the remainder of the contract period. This will help to ensure that the County is being compensated according to the terms of the contract.

Corrective Action Taken Prior to the End of Fieldwork:

On 5/18/2011, IAD was provided ExpressMed pharmacy financial statements noting a Net Loss for 2010 and for the three months ending March 31, 2011.

Management Action Plan:

The Director and Deputy Director have already begun working with ExpressMed to receive financial information and rebates on a more reliable and regular basis. They will continue to monitor these reports on a regular basis with ExpressMed staff. A local staff person from ExpressMed has been assigned to meet with the Deputy Director regularly. This will be encompassed in the procedure addressed in Issue 1, to be completed by April 1, 2012.

12. Issue:

Upon review and comparison of the ExpressMed contract and corresponding County Resolution (09-334), it was noted that the contract did not include an annual rent increase of 3%, as stated in the resolution. Additionally, it was noted that the monthly billing to the pharmacy did not include the increase.

Recommendation:

IAD recommends that the Insurance Department contact the Law Department regarding the discrepancy between the contract and resolution. In the event that the contract is revised to include the rent increase, IAD recommends that the Insurance Department update their billing accordingly.

Full Corrective Action Taken Prior to the End of Fieldwork:

IAD was provided with the signed amendment to the Pharmacy agreement, which included the 3% increase to the rent amount. In addition, an invoice was provided for January through June 2011 for the 3% increase.

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BWC Safety Council Rebates

The BWC offers employers premium rebates for the active participation in a local safety council. A walkthrough of the process was performed with the Benefits Specialists 2.

Information was obtained from the BWC website (ohiobwc.com). A Banner report was generated to provide a listing of expenses and pay-ins related to the BWC Safety Council meetings and rebates. Based on the low level of risk, IAD did not perform detailed testing; however, it was confirmed that meeting expenses have been incurred and rebates were received.

No issues were noted.

Third Party Insurance Claims Reimbursement

A walkthrough of the insurance claims reimbursement process was performed with the Benefits Specialist 2 to gain an understanding of the process.

Accident files for 2011 accident claims were reviewed and compared to Banner to confirm that proper reimbursement was received based on estimates and payments made.

No issues were noted during detailed testing.

PROPERTY AND CASUALTY INSURANCE

IAD obtained a Geographic Information Systems (GIS) report of all properties where the owner was listed as the County of Summit from the Law Department and a Property Schedule from Assistant Director of Administration listing all County insured properties as well as their respective amounts of insurance coverage (replacement cost for building and replacement cost for contents). In addition the Declarations page contained within the Affiliated FM Insurance Company Policy which listed the respective insured County properties was obtained and reviewed.

IAD judgmentally selected a sample of twenty (20) properties out of two hundred and forty one (241) from the GIS report and traced and agreed them to the Declarations page of the County's property insurance policy to confirm that the properties are insured.

IAD judgmentally selected a sample of twenty (20) out of two hundred and thirty five (235) insured structures and corresponding parcel related information from the Property Schedule and agreed them to the GIS report of County owned properties to confirm that discarded or sold properties were no longer being covered by the County's property insurance policy.

The following issue was noted during detail testing:

13. Issue:

During property insurance testing it was noted that in one (1) out of twenty (20) instances where the County was insuring a property that was owned and insured by the Alcohol, Drug Addiction and Mental Health Board of which the County has no insurable interest. IAD noted that the structure was insured for \$351,900 and the contents for \$51,200.

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Recommendation:

IAD recommends that the Insurance Department terminate coverage on the respective property. Additionally, it is recommended that the Insurance Department review, at least annually, the schedule of insured properties for accuracy of, including but not limited to, the following:

- Insurable interest,
- Address of the property,
- Sufficiency of replacement costs of property and contents.

This will help to ensure that all County assets are adequately insured while lowering the probability of insuring properties no longer owned by the County.

Action Taken Prior to the End of Fieldwork:

On 8/1/11, IAD was provided with documentation showing that the respective property was removed from the Insurance Department's property schedule and that the County's insurance provider was notified.

Management Action Plan:

The Director will ensure that a policy is adopted (see Issue 1) whereby a specific employee is assigned to review the list of real property covered by County P&C insurance on a regular basis, working with the Law Department to verify that the County is the legal owner of all properties insured. Further, the Director will establish a policy whereby there is a regular review of contents of different buildings for insurance value purposes. This will be completed by April 1, 2012.

PAYROLL TO BENEFITS RECONCILIATION

IAD met with the Assistant Director of Administration and observed the reconciliation process for pay period 10 to gain an understanding of the process.

Pay period 6, pay date 3/18/11, was randomly selected for detail testing. Employee status and respective termination dates, if applicable, were traced and agreed to employee records in Banner. Benefit co-pay amounts were obtained from the Employee Benefits access database. Year to date deductions per employee and benefit type were re-calculated and compared against actual year to date deductions taken in Banner.

The employee co-pay portions listed on the Payroll Reconciliation report were traced and agreed to actual deductions taken in Banner to test the accuracy of the report used for the reconciliation process.

A listing of changes to benefits for qualifying events was obtained to confirm that these changes were made to the database and respective payroll deductions.

The following issue was noted during detail testing:

14. Issue:

During detail testing of the payroll to employee benefits reconciliation, it was noted that four (4) out of twelve (12) employees with benefits deduction exceptions for pay period 6, pay date 3/18/11, of

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the Summit County Developmental Disabilities (DD) Board were still not corrected as of pay period 12, pay date 6/10/11. The potential for the County never receiving the amounts due from the employees greatly increases with the passage of time.

Recommendation:

IAD recommends that the Insurance Department contact and work with DD Board Payroll Department personnel to resolve the noted exceptions. This will help to ensure the likelihood of reimbursement to the County.

Partial Corrective Action Taken Prior to the End of Fieldwork:

Of the four (4) employees with benefits deductions exceptions, the Insurance Department fully corrected two (2), partially cleared one (1) and one (1) exception was in process of being corrected.

Management Action Plan:

The procedures used to accomplish the partial corrective action will be incorporated into the Policies and Procedures (see Issue 1) to ensure that the DD Board's payroll is reconciled to the benefits database on a regular (i.e. monthly) basis and that any errors discovered will be corrected immediately. This will be accomplished by April 1, 2012.

EXPENDITURES

IAD obtained and reviewed Accounts Payable procedures, various Ohio Revised Code (O.R.C.) sections and conducted staff interviews to gain an understanding of the expenditure cycle, the laws and regulations that govern it and internal controls in place.

Detail testing was performed of all three (3) Insurance Department Banner organizational accounts to test for the following attributes:

- Proper authorizations,
 - Law library,
 - IT Sub-committee,
 - IT Board,
 - Board of Control,
 - County Council.
- Funds were encumbered prior to incurring expense,
- Amount and vendor in Banner matched the respective invoice,
- Actual quantities of goods received matched respective packing slips,
- Proper authorization of paid sewer claims.

The following issues were noted during detail testing:

15. Issue:

Upon review of Insurance Department expenditures, IAD noted fifteen (15) out of forty (40) transactions where the invoice date was prior to the purchase order date which is a violation of O.R.C. §5705.41.

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Recommendation:

IAD recommends that the Insurance Department issue purchase orders prior to incurring an expense. This will help to ensure compliance with O.R.C. §5705.41.

Management Action Plan:

The Director and Deputy Director will establish a policy that complies with O.R.C. 5705.41. This will be accomplished by April 1, 2012.

16. Issue:

Upon detailed testing of sewer claim reimbursements and the procedure for processing such, IAD noted that in two (2) out of six (6) instances where release forms were sent out and signed by the claimant prior to obtaining claim approval from the County Executive in accordance with Summit County Codified Ordinance 119A.03 (g).

Recommendation:

IAD recommends that the Insurance Department wait until an approved Claim Reimbursement Request is approved by the County Executive prior to sending out the final release to the claimant. This will help to ensure that the County is not accepting the liability for unapproved claims.

Management Action Plan:

The Director and Deputy Director will establish a policy that complies with the codified ordinances. This will be accomplished by April 1, 2012.

17. Issue:

Upon review of the Insurance Department's expenditure process, IAD noted that the same employee is responsible for both the ordering and receiving of supplies. This is an improper segregation of duties which could allow for the misappropriation of County assets.

Recommendation:

IAD recommends that the Insurance Department assign the ordering function and the receiving function to separate employees. This will provide for an appropriate segregation of duties and will help to ensure the safeguarding of County assets.

Management Action Plan:

The Director and Deputy Director will establish a policy that segregates duties appropriately. Specific employees will be assigned to perform each different task (ordering versus receiving). This will be accomplished by April 1, 2012.

18. Issue:

Upon review of the packing slips selected for detailed testing, IAD noted that there was no evidence of departmental review noted on the packing slip upon receipt of goods. Therefore, IAD was not able

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to confirm the accuracy of quantities received, and if short, the County would be responsible for the cost of supplies ordered but not received.

Recommendation:

IAD recommends that the Insurance Department count all goods received to confirm that they agree to quantities as noted on the respective packing slip. Any discrepancies should be manually adjusted on the packing slip. In addition the packing slip should be signed off by the person performing the count. This will help to ensure that the County does not assume the liability of items not received.

Management Action Plan:

In conjunction with the resolution to Issue 17, the Deputy Director will ensure that the person assigned the task of receiving the items also properly checks to be sure all items ordered/billed were actually received. This will be accomplished by April 1, 2012.

FRINGE BENEFITS

Detail testing of the following areas was performed to confirm that the Insurance Department is properly handling fringe benefits in accordance with IRS tax code:

- Travel and meals reimbursement,
- Cash incentives, awards, gift awards and/or bonuses,
- County paid life insurance policies over \$50,000,
- Uniforms and clothing allowances,
- Employment contracts,
- County vehicle usage,
- Allowances for firearms or tasers and/or any other non-lethal weapon,
- Tuition assistance and reimbursement,
- Subcontracted employees.

No issues were noted during detail testing.

III. Security:

Security issues noted during fieldwork are addressed under separate cover in the accompanying report in compliance with O.R.C. §149.433.