

# SUMMIT COUNTY, OHIO

BERNARD F. ZAUCHA, CPA, MBA, CIA, DIRECTOR

October 20, 2005

Ken Jones  
Director of Insurance and Risk Management  
175 South Main Street  
Akron, OH 44308

Dear Mr. Jones:

Attached is the final Follow-up Audit report regarding the issues that were identified in the Executive Office: Insurance & Risk Management Preliminary Audit report dated February 1, 2005. The follow-up report was approved by the Audit Committee on September 28, 2005 at which time it became public record. We appreciate the cooperation and assistance received during the course of this follow-up audit.

## **FOLLOW-UP AUDIT SUMMARY**

The follow-up process monitors and ensures that management actions have been effectively implemented or that senior management has accepted the risk of not taking action.

Follow-up by internal auditors is defined as a process by which they determine the adequacy, effectiveness, and timeliness of actions taken by management on reported engagement observations.

Factors that are considered in determining appropriate follow-up procedures:

- The significance of the reported observation.
- The degree of effort and cost needed to correct the reported condition.
- The impact that may result should the corrective action fail.
- The complexity of the corrective action.
- The time period involved.

Sincerely,

Bernard F. Zaucha

cc: Audit Committee  
James B. McCarthy

## **INTERNAL AUDIT DEPARTMENT**

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**EXECUTIVE OFFICE  
INSURANCE & RISK MANAGEMENT DEPARTMENT  
Follow-up Audit**

**Auditor:**

Dan Crews, Senior Auditor

**Objective:**

To determine if management has implemented their corrective management action plans as stated in response to the previously issued Preliminary Audit reports.

**Scope:**

An overview and evaluation of policies, processes, and procedures implemented by the department/agency as a result of management actions stated in the corrective management action plans during the Preliminary Audit process.

**Testing Procedures:**

The following were the major audit steps performed:

1. Review the final preliminary audit reports to gain an understanding of IAD issues, recommendations, and subsequent management action plans completed by the audited department/agency.
2. Review the work papers from the Preliminary audit, where applicable.
3. Review any departmental/agency response documentation provided to IAD with management action plan responses following the preliminary audit.
4. Identify management actions through discussions/interviews with appropriate departmental personnel to gain an understanding of the updates/actions taken to address the original preliminary audit issues.
5. Review applicable support to evaluate management actions.
6. Determine implementation status of management action plans.
7. Complete follow-up report noting status of previously noted management actions.

**EXECUTIVE OFFICE  
INSURANCE & RISK MANAGEMENT DEPARTMENT  
Follow-up Audit  
COMMENTS**

The Internal Audit Department (IAD) conducted a follow-up audit of the Insurance & Risk Management's Preliminary Audit. The original Preliminary Audit concluded in April 2004 and was approved by the Summit County Audit Committee on December 17, 2004.

The accompanying follow-up comments to previously stated Preliminary Audit issues present an overall summary of the current status of the corresponding management action plans.

During our follow-up audit, IAD noted that a majority of the applicable management action plans were fully or partially implemented. We commend the Department of Insurance & Risk Management for their efforts and appreciate the cooperation of the Insurance & Risk Management personnel during the course of the follow-up audit.

Listed below is a summary of the major issues/management action plans and their current status:

**Management Action Plans fully implemented:**

- Utilization of a secured filing area for information and paperwork utilized by the Accountant I.
- Utilization of a locking Jeter filing system to house the Workers Compensation files.
- Creation and distribution of new injury reporting packets to county employees.
- Enhanced security in the distribution of employee insurance information.
- The addition of an effective enrollment date into the insurance department database.
- Changes to the Summit County Codified Ordinances to reflect the correct procedures for forwarding injury reports and workers' compensation forms to the Department of Insurance and Risk Management.
- Implementation of a procedure to reconcile monthly cash receipts.
- Updating of the department's OSHA Coordinator list.
- Improved completion and greater follow-up of OSHA filing requirements by the Insurance department.
- Development and completion of a Prevailing Wage procedures manual.
- Development of a Prevailing Wage file checklist to help ensure consistent file documentation.
- Improved filing, monitoring, and tracking of departmental contracts.
- Written policies and procedures implemented and finalized that require employees who operate their own personal vehicles for County business to maintain personal auto insurance liability coverage in the amounts required by codified ordinance.

**Management Action Plans partially implemented:**

- Written policies and procedures implemented and finalized for the following areas of the Insurance & Risk Management department:
  - Medical Mutual of Ohio Insurance enrollment
  - Workers Compensation function

- The Voluntary Life Insurance Program  
*Per IAD follow-up with department management on 6/15/05, a Draft Insurance Benefits Procedural Manual was obtained and reviewed. The manual includes sections for Core Benefits, Workers Compensation, Substance Abuse, and EAP Referrals. Per department management, the policies and procedures have been implemented; however they have not been finalized and distributed. Target date for finalization is by July 2005.*
- Creation of a standard forms checklist for the Workers Compensation files.  
*Per follow-up with departmental management on 6/15/05, a checklist has not been created. Instead, all form/document requirements needed in the Workers Compensation files are listed within the text of the newly created Workers Compensation policies and procedures noted in the Draft Insurance Benefits Procedural Manual targeted for finalization by July 2005.*
- Completion of electronic back-up of insurance information. Specifically beneficiary information.  
*Per follow-up with departmental management on 6/15/05, department is still working on capturing all beneficiary data and other pertinent information into the database to ensure electronic back-up. Target date for completion is by the end of November 2005.*
- Reconciling employee applications for Voluntary Life Insurance with applicable enrollment data and carrier information.  
*Per follow-up with departmental management on 6/15/05, the department is currently self auditing for all/any applications in the insurance files. Target date for completion is by the end of 2005.*
- Procedural memo completed requesting all departments/agencies to forward all Return to Work documentation to the Workers' Compensation office when an injured employee returns to work.  
*Per follow-up with departmental management on 6/15/05, requests for Return to Work documentation have been made. However, per the Benefits Administrator on 7/6/05, no procedural memo has been completed. Per the Benefits Administrator, a procedural memo will be developed and sent out by the end of July 2005.*
- Written policies and procedures implemented and finalized for the following areas of the Insurance & Risk Management department:
  - Tracking of all personnel which utilize county vehicles.
  - Tracking and monitoring of employee driving requirements (*proper/valid licensing*) for all personnel which utilize county vehicles.*Per follow-up with departmental management on 6/15/05, draft Policies and Procedures to track/monitor personnel that use county vehicles have been utilized since early 2005. Per the departmental management, the target date for completion and formal implementation of these policies and procedures is by the end of 2005.*
- Substance Abuse Training completed for all departments by August 31, 2004. Substance Abuse Prevention Program fully implemented on a county-wide basis.  
*Per follow-up with departmental management on 6/15/05, all manager training has been completed except for some CSB employees. Per the Benefits Administrator, CSB training will be completed by the end of July 2005.*
- An updated "Insurance Benefits Procedural Manual" will be distributed to all current benefits administrators upon completion of final review.  
*Per follow-up with the Benefits Administrator on 7/6/05, the Draft Insurance Benefits Procedural Manual has been implemented; however, it has not been formalized. Per the Benefits Administrator, target date for finalization and distribution of manual to current benefit administrators is by the end of July 2005.*

- Policies/procedures written and implemented for a monthly reconciliation of insurance database information to payroll system information.  
*Per follow-up with the Director on 6/15/05, policies and procedures are not yet written for this reconciliation; however, a monthly reconciliation is performed to payroll by an extract report. Target date for completion of policies/procedures is by the end of 2005.*
- Filing of copies of the “Banner Address Check” into employee insurance files.  
*Per follow-up with the Director on 6/15/05, inclusion of this form into the insurance files will not be completed. It has been reviewed by management and concluded that the form is not an accurate check for insurance information at this time. Per additional follow-up, management stated that cross checks are currently performed on information received in new applications and by the end of this year, the Insurance Department will also have a positive re-enrollment for benefits which will provide additional verification of the most current employee information.*

**Management Action Plans not implemented:**

- Annual evaluations performed on all departmental employees.  
*Per follow-up with the Director on 6/15/05, target date for completion of employee evaluations is by the end of June 2005.*
- Changes/clarification made between the County Codified Ordinance and the Summit County Substance Abuse Prevention Program in regards to the performance of Post-accident drug and alcohol testing.  
*Per follow-up with departmental management on 7/6/05, target date for completion of changes is by the end of 2005.*
- 1) Completion of policies/procedures for the inclusion of the Department of Insurance to be utilized in the formation, completion, and monitoring of contractual insurance requirements contained in independent contractor and vendor agreements.  
2) Completion of policies/procedures for the notification of the Insurance & Risk Management department of all completed contracts containing insurance requirements to help ensure enhanced monitoring of any insurance risks that may be present in the agreements.  
3) Completion of policies/procedures to include a standardized checklist of county insurance requirements for independent contractors and vendor contracts.  
*Per follow-up with the Director on 6/15/05, he has been in contact with the Department of Law, however, no policies and procedures have yet been completed. Target date for completion of policies and procedures to address contract insurance requirements is by the end of 2005.*

**Conclusion:**

Based on the above noted information, IAD believes that the Department of Insurance & Risk Management has made a positive effort towards implementing their corrective management action plans as stated in response to the audit issues identified during the preliminary audit.

**Security follow-up:**

Security follow-up issues noted during fieldwork are addressed under separate cover in the accompanying report in compliance with Ohio Revised Code §149.433<sup>248</sup>.