

**HUMAN RESOURCE DEPARTMENT
RISK MANAGEMENT DIVISION
GENERAL AND AUTOMOBILE LIABILITY
INSURANCE CLAIMS
AUDIT 16-07
AUGUST 12, 2016**



CITY OF TAMPA

Bob Buckhorn, Mayor

Internal Audit Department

Christine Glover, Internal Audit Director

August 12, 2016

Honorable Bob Buckhorn
Mayor, City of Tampa
1 City Hall Plaza
Tampa, Florida

RE: Human Resources – Risk Management - General and Automobile Liability Insurance Claims, Audit 16-07

Dear Mayor Buckhorn:

Attached is the Internal Audit Department's report on Risk Management - General and Automobile Liability Insurance Claims, Audit 16-07.

Risk Management has already taken positive actions in response to our recommendations. We thank the management and staff of the Risk Management Division for their cooperation and assistance during this audit.

Sincerely,

/s/ Christine Glover

Christine Glover
Internal Audit Director

cc: Dennis Rogero, Chief of Staff
Sonya Little, Chief Financial Officer
Kimberly Crum, Human Resources Director

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/s/ Vivian Walker

Vivian Walker, Auditor

/s/ Christine Glover

Christine Glover, Audit Director

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BACKGROUND

The vision and mission statement for Risk Management indicates it is "committed to providing comprehensive risk management, insurance, and employee benefit programs to all the City of Tampa department, employees, and retirees."

Additionally, stated goals and objectives include:

- Providing a safe workplace that "meets all state and federal guidelines, using training, consultation and inspections, accident investigations . . ."
- Managing the City's "liability and property & casualty exposure in a cost-effective manner . . . and as a last resort insure risk."

STATEMENT OF OBJECTIVES

This audit was conducted in accordance with the Internal Audit Department's FY2016 Audit Agenda. The objectives of this audit were to ensure that:

1. Certificates of insurance were obtained with the proper limits and endorsements.
2. Liability claims for general or automobile accidents were settled within the required timeframe and limits.
3. Restitution for subrogation was timely and properly recorded.

STATEMENT OF SCOPE

The audit period covered Risk Management activity that occurred from April 2015 through March 2016. Tests were performed to determine whether Risk Management personnel were fulfilling their stated duties and responsibilities in an effective and efficient manner. This review included evaluating the internal controls related to accounts receivables for subrogation payments. Risk Management uses ClaimsCrusher software to document activity related to claims. This software was evaluated and the information generated was deemed to be reliable. Original records as well as copies were used as evidence and verified through observation and physical examination.

STATEMENT OF METHODOLOGY

Closed claim files were reviewed to verify that the required documentation established through Risk Management policy in addition to proper approval was being obtained. Florida Statute establishes time frames for resolution of claims. Therefore, the date of disbursement for claims was reviewed to determine if they were settled within the guidelines established by Florida Statute. The City of Tampa requires vendors or others using City property to provide additional insurance with the City as an additional named insured. This process was reviewed for approval of coverage, by Risk Management, in advance. This audit also reviewed how the City pursued compensation from any other entity that created or caused damage to City property.

STATEMENT OF AUDITING STANDARDS

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.

AUDIT CONCLUSIONS

Based upon the test work performed and the audit recommendations noted below, we conclude that:

1. Certificates of insurance were obtained with the proper limits and endorsements.
2. Liability claims for general or automobile accidents were settled within the required timeframe and limits. However, documentation to support the claims can be improved.
3. Restitution for subrogation was properly recorded and recorded timely. However, the process for assessing and subsequent collection of restitution payments can be improved.

CLAIMS PROCESSING

STATEMENT OF CONDITION: Documentation to support processing of claims can be improved. A sample review of files for 24 closed claims identified that several required documents had not been obtained prior to the claim being closed. Specifically, where applicable, the following items were missing:

- Five (of 20) applicable files did not have the signed executed release for property damage form.
- Three (of 15) files did not have at least two estimates for damages claimed.
- Two (of 20) files did not have a notarized statement of claim form.

The current claims process requires the individual submitting the form to provide their social security number. However, there is no statement on the claim form that notifies the individual of how their social security number will be used.

CRITERIA: The risk policy related to processing of claims requires certain documentation to support the payment. Additionally, the “Social Security Number Protection Act of 2010” details the requirement that individual social security numbers are to be protected. It also states that "local government agency which requests an individual to disclose his social security account number shall inform that individual whether that disclosure is mandatory or voluntary . . . and what uses will be made of it."

CAUSE: There is currently no checklist in place to ensure that all required documentation is obtained.

EFFECT OF CONDITION: Claims may be closed without proper documents in file.

RECOMMENDATION 1: Management should ensure payment is only made after a signed release and other required documents are received. Also, a checklist or other method of file review should be considered to ensure all applicable documents have been received.

Additionally, because social security number and date of birth are necessary to process a claim, a statement indicating what use will be made of that information should be added to the current claim form in order to comply with the Social Security Number Protection Act of 2010.

MANAGEMENT RESPONSE: Agree. The liability claim files identified above were missing the information as stated. These issues occurred upon arrival of a new employee following the death of a key team member. While regrettable and unacceptable, we believe there was no financial impact to the City as a result. Going forward, Risk Management will ensure that payment for a liability claim is only issued after an executed release is provided to the City of Tampa. A liability claim file checklist has been created to ensure that all tasks have been completed prior to closing the file.

Per Florida Statute 768.28 Notice of Claim, a claimant’s social security number, date of birth, address and other personal information is required to notice the City of a tort act that has been filed against the City of Tampa. The claimant’s personal information is required to investigate a claim against the City of Tampa. The City does not release this information to the public, as it is privileged and protected.

The Statement of Claim form has been brought into compliance with the Social Security Number Protection Act of 2010.

TARGET IMPLEMENTATION DATE: August 1, 2016

SUBROGATION PAYMENTS

STATEMENT OF CONDITION: Segregation of duties over the process for resolving claims against at-fault individuals/companies, that damage City property, should be improved. Currently, the employee processing subrogation claims maintains full control of the process. The employee makes arrangements for reimbursement with the at-fault individual/company, subsequently receives the reimbursement, records the reimbursement, and remits the reimbursement to Accounts Receivable. This employee is also responsible for contacting the at-fault individual/company in the event of delinquency.

CRITERIA: Prudent business practices recommend a separation of duties between management/collection and processing of receipts. Government Finance Officers of America (GFOA) suggests that "different personnel should perform authorization, recording, and custodian functions."

CAUSE: Payment acceptance was previously performed by the Administrative Assistant, who transferred to another department.

EFFECT OF CONDITION: Risks of undetected errors and misuse of funds collected is increased when segregation of duties is compromised and one individual controls a process from inception to resolution.

RECOMMENDATION 2: Risk Management should revise the current process to appropriately segregate the duties for subrogation.

MANAGEMENT RESPONSE: Agree. While the Risk Manager has acknowledged receipt of subrogation payments during the absence of the Administrative Assistant, payment acceptance has been immediately transitioned to alternate Risk Management Staff.

TARGET IMPLEMENTATION DATE: Immediately