



Orange County  
Public Schools

# Internal Audit Report

**Liability Insurance Claims**

**Process Audit**

**September 28, 2011**



**To: Rick Collins, Chief Financial Officer**

**Leslie Komurke, Senior Administrator, Management and Budget**

**Regina Frazier-Thomas, Senior Facilities Control Manager, Facilities Fiscal Control**

**From: Linda J. Lindsey, CPA, Senior Director, Internal Audit  
Alva Johnson, Auditor**

**The audit is an independent activity that is used to evaluate the effectiveness and efficiency of a business operation. Our responsibility is to express an opinion on selected processes and procedures. We are required to report material deficiencies in accordance with the Institute of Internal Auditors' *International Standards for the Professional Practice of Internal Auditing*, Orange County Public Schools policies and procedures and Florida Statutes.**



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## **BACKGROUND**

OCPS is self-insured up to specified limits for general liability losses. Claims for these losses are paid out of District funds set aside in the Self-Insurance Fund. Property loss is defined as those damages incurred as a result due to fire, lightening, burglary, wind damage, vandalism, theft, building damage and property damage. A third party insurance administrator under contract to the District processes investigates and pays claims. The third party administrator is Cramer, Johnson & Wiggins (CJW). Information about property loss and damage reporting can be found on the intranet of Orange County Public Schools on the Risk Management website.

Damages and losses of OCPS property are reported to the Risk Management Department on a Prop-5 form. A copy of this form, along with additional documentation, is sent to the senior finance specialist in Facilities Fiscal Control. The Operations and Maintenance Department oversees repairs, whether self-performed or performed by an outside vendor and records repair activities and costs in the work order system. The senior finance specialist searches SAP for work order information, internal labor costs, purchase order(s) and vendor costs. Other costs may come from purchasing cards data. The damage must be repaired and the loss of equipment or property must be restored prior to reimbursement. These costs are claimed against the insurance fund by issuing an OCPS invoice to the third party administrator. CJW reviews the submitted information and makes a determination to pay or deny the claim. Approved claims for loss or damage are reimbursed, less a \$500 deductible per claim.

The senior finance specialist has worked with the CJW staff for nine years while doing this procedure. There is a good working relationship with the third party administrator and Facilities Fiscal Control. The process seems to work well. There appears to be a resolute effort from both parties to work efficiently, ethically and conscientiously.

## **OBJECTIVES, SCOPE AND METHODOLOGY**

### **OBJECTIVES:**

The objective of the audit was to evaluate processes and procedures for adherence to applicable policies, laws and management directives, evaluate accuracy of claims, and determine whether loss settlements are collected to the extent of insurance limits.

### **SCOPE:**

The audit scope included incidents and claims from the fiscal year ended June 30, 2011.

### **METHODOLOGY:**

Our audit was performed in accordance with the *International Standards for the Professional Practice of Internal Auditing* issued by the Institute of Internal Auditors. The procedures performed were those we deem necessary to meet the audit objectives.

We reviewed the incident log and incident recovery log for the fiscal year ended June 30, 2011 and selected items for testing on a random basis.

## **FINDINGS AND RECOMMENDATIONS**

### **Written Procedures:**

There are no written procedures for the process.

We recommend that the department strengthen its position by developing written procedures for this task. Best practices deem that written procedures exist to train successors and provide consistency in processes and conformity to policies.

### **Vendor Quotes:**

Three of the eighteen selected incidents did not have vendor quotes in the files.

We recommend that the senior finance specialist obtain the quote for the file. The presence of the vendor quote would prove that vendor charges are in harmony with the written quote or proposal and OCPS policy.

**Contract Completion:**

There was no clear way to determine if the job/project had been completed. A contract completion form would attest to this fact. The contract completion form includes project information, job costs, completion date, vendor and OCPS personnel signatures. Only three of the selected eighteen items had a Contract completion form in the file.

We recommend that the contract completion form be placed in the job file as evidence that the job has been completed by the vendor and accepted by OCPS. The senior finance specialist should request the documentation from the reporting department if it is not submitted with the Prop-5 form.

**Vendor Costs:**

Three of the eighteen recorded vendor costs we tested were not recorded accurately. The total combined value of these errors was immaterial. However, the question of detection and correction presents a concern.

We recommend that an additional step be added to the process to verify recorded costs.

**Process:**

The process to identify and record repair and replacement costs by the Facilities Fiscal Control department is cumbersome and time intensive. Repair and replacement costs can be recorded in five different places – work orders, purchase orders, warehouse orders, purchasing cards and tool room items. The repair work can be performed by OCPS technicians and/or outside vendors. Pertinent information not found on the Prop-5 or work order may need to be requested from the school or location and area maintenance personnel.

We recommend that all parties, Fiscal Control and Operations and Maintenance, review the process to determine if there is a more efficient and effective manner to accumulate repair and replacement costs for insurance claims.

We wish to thank the staff of Facilities Fiscal Control and Operations and Maintenance for their cooperation and assistance in performing this audit.

*Alva Johnson, Auditor*

AUDIT RESPONSE MATRIX

FISCAL PERIOD: FY 2012

DEPARTMENT/SCHOOL:  
 ADMINISTRATOR/PRINCIPAL:  
 DEPARTMENT HEAD/AREA SUPERINTENDENT:

Facilities Fiscal Control - 8123
Leslie Komurke, Senior Administrator
Regina Frazier-Thomas, Senior Facilities Control Manager

Exception Noted What is? What should be?	Management Response What needs to be done?	Responsible Person Who needs to do it?	Outcome Timeline When will the action be completed? What is the evidence of completion?
<p>There are no written procedures for the process.</p> <p>Three of the eighteen selected incidents did not have vendor quotes in the files.</p> <p>There was no clear way to determine if the job/project had been completed. Only three of the selected eighteen items had a Contract completion form in the file.</p> <p>Three of the eighteen recorded vendor costs we tested were not recorded accurately.</p>	<p>Develop written procedures for insurance claim processing.</p> <p>An additional step be added to the process that will verify the following:</p> <p>Prop 5 with Approval Signatures            Lightning Statement            Police Report            Photos of Damage            Pcard Charges  <b>Vendor Quotes</b>            **Not Needed            Purchase Order Paid In Full            Accurate Invoice  <b>Contract Completion Form</b>            **Not Available  <b>Calculations Verified</b></p>	<p>The Sr. Facilities Control Manager</p> <p>The Senior Finance Specialist</p>	<p>Written procedures have been developed for insurance claim processing. (Please see attached.)</p> <p>An Insurance Claim Verification form will be completed by the senior finance specialist for each claim processed and attached to the file. (Please see attached.)</p>