FULTON COUNTY, GEORGIA

OFFICE OF THE COUNTY AUDITOR

Risk Management Audit

June 28, 2023

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INTRODUCTION

In accordance with the 2022 approved Audit Plan, the Office of the County Auditor performed an audit of the Risk Management Division.

BACKGROUND

The Fulton County Risk Management and Workers Compensation Division serve as claims administrators for Fulton County's self-funded insurance programs listed below:

- Automobile Physical Damage (claims involving Fulton County Vehicles);
- Automobile Liability claims;
- Workers Compensation;
- Property; and
- General Liability/Nuisance claims that fall within the established parameters of Fulton County.

The division is responsible for investigating claims, the retrieval and review of supporting documentation and determining claim payouts. The Risk Management Division procures insurance for County property and facilities, public officials and court bonds, as well as specialty insurance policies for County programs.

The Risk Management Division accomplishes loss mitigation through controls and intervention. The division uses claims mitigation techniques that reduce the financial impact to the County and the constituents.

The Risk Management Division begins the review process when an incident form is completed and submitted to the Risk Management team for investigation by a respective department, entity or individual. The claims investigation process is a thorough and sometimes lengthy process depending upon the type of claim under review. Risk Management is committed to conducting a fair and impartial investigation of the facts, which may involve other agencies at the County, outside vendors or contractors.

Incidents are to be reported as soon as possible to mitigate the County's property and financial risk. The division utilizes *Riskonnect,* claims management software, to manage and track all claims received by the division.

During the scope of our audit, we reviewed claims related to Auto Physical Damage, Auto Liability, and Property and General Liability.

OBJECTIVE

The objectives of the audit were to ascertain the effectiveness and efficiency of the existing policies and procedures related to Risk Management and to determine the adequacy of controls over the division's operating procedures.

SCOPE

The scope of the audit was from January 1, 2021 – December 31, 2021.

METHODOLOGY

We conducted this audit in accordance with Generally Accepted Government Auditing Standards (GAGAS). 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.

To achieve our audit objectives, we performed the following audit procedures:

- Conducted interviews with key staff to determine established processes and procedures related to claims management;
- Performed walkthroughs to observe key processes and procedures related to claims management;
- Identified internal controls and implementation;
- Reviewed State and County guidelines;
- Reviewed County contract with County Contracted appraiser to determine scope of work; and
- Obtained a listing of all 2021 Auto Physical Damage, Auto Liability and Property and General Liability claims received by Risk Management Division.

In addition, we randomly selected a sample of fifty (50) claims from a total population of two-hundred and fifty-eight (258) claims. We reviewed and verified the following:

- Claims were accompanied by documentation showing performance of investigation and justification for payouts (i.e. estimates)
- Payout amounts were approved and recorded in AMS system
- Initial Reserve was established
- Timely notification of incident(s) by department
- Rotation of Auto Body shops used for claims

We believe the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives. Our findings and recommendations are detailed below.

FINDINGS AND RECOMMENDATIONS

Finding 1 – Lack of Divisional Standard Operating Procedures

Standard Operating Procedures (SOPs) are an essential tool for allowing employees to understand their responsibilities as well as allowing management to guide operations and eliminate uncertainty in how to best complete duties. SOPs must be current, complete, and effectively implemented within the division to achieve the desired impact. SOPs, at a minimum, should include the five elements reflected below:

- *Purpose*: The SOP should define the purpose of the work and clearly outline its objectives.
- *Procedures*: An SOP not only defines tasks but also provides guidelines for how to complete tasks. Procedures will include all the necessary steps an employee must take in an easily understood format.
- *Scope*: The scope defines the use and applicability of the SOP.
- *Responsibilities*: The SOP should outline who performs the tasks and who to contact if problems arise and for additional management approval. It also outlines the person in charge of its implementation, review, and updates.
- *Accountability measures*: SOPs are intended to improve accountability. Outlining the responsibilities of each person within an organization ensures accountability for assigned projects.

We noted there were no written operational procedures within the Risk Management Division that specifically outlined current policies and procedures being conducted. The Risk Management Division provides instructions to assist user departments in filing claims, yet, there are no internal written procedures for executing the claims process. The division utilizes State and County guidelines and policies to aid in claim resolutions and payouts, however, written divisional procedures would ensure uniformity and efficiency throughout the claims process.

The lack of divisional SOPs hinders performance and productivity, increases errors and decreases the effectiveness of internal controls. Written procedures will also aid in training new employees, provide a clear description of job duties and increase accountability.

Recommendation

Management should develop standard SOPs that reflect the current business processes of the division and communicate the importance of not only adhering, but maintaining up to date procedures that reflect the day-to-day operations. Additionally, ensure procedures are clearly written and communicated to employees to ensure consistency throughout the division.

Finding 2 – Lack of Reporting

Reporting provides a consistent flow of information necessary for monitoring activities and decision-making. Reports should be timely and contain clear, accurate and relevant information. During our audit, we requested a listing of claims reports prepared by the Risk Management Division. We were informed that the division does not prepare routine reports that contain information such as the historical cost of claims or the frequency and type of claims paid. However, during our review of the *Riskonnect* system, we found that the system was capable of generating these reports, although the division is not using the system to its fullest potential to prepare these reports. The absence of reporting this data hinders the County's ability to analyze risks, plan and budget for risk events, and measure performance.

Recommendation

We recommend the division implement controls to ensure reports are issued annually, if not more frequently. Additionally, provide necessary and timely claim information that will assist those charged with decision-making and governance.

Finding 3 – Lack of Risk Evaluation Process

Risk evaluation is essential in determining the potential risks of an organization and the probability of those risks causing injury or illness in the organization. To manage risks, organizations must identify hazards, assess the risks, and determine methods to mitigate those risks. The Risk Management Division does not perform risk evaluations as a preventative measure. This is mainly because Risk Management personnel serve as claims administrators that investigate claims, review supporting documentation to assess the validity of claims, and determine claim payout amounts. Without a risk evaluation process, the County's ability to efficiently and effectively identify, analyze and mitigate risks on a larger scale is unlikely.

Recommendation

We recommend an in-depth review of the County's risk management function in an effort to make the necessary modifications and implement an effective organizational-wide risk management process that aligns with County objectives. It may also be beneficial to implement a Risk Committee to make such decisions, given that the division does not have the authority to make these modifications.

Finding 4 – Lack of Training on Risk Awareness

Risk management training brings awareness to the types of risks that exist and increases awareness throughout the organization. Employees who are well informed about risks are more likely to identify and communicate the presence of risks while preventing injury or loss. There is no formal risk training for departments prior to reporting an incident or claim. Pursuant to discussion with management, employees with increased claims are assigned mandatory training. For example, increased vehicle accidents will result in a defensive driving course. Additionally, departments are encouraged to develop an internal policy or protocol regarding risks. Without proper risk training, hazards are less likely to be reported, and injuries and costs increase, adding more strain to County budgets.

Recommendation

We recommend the Risk Management Division review historical and current data to determine the risk environment for the County and work with executive management to increase awareness through emails, video training, and additional signage throughout County facilities.

Concern 1 – Inability to Track Claim Payouts in AMS

The recording of financial transactions aids in identifying specific types of costs in the financial system and assists with reporting and financial management. During our audit, we requested a listing of claims paid during the scope of the audit.   We were unable to obtain this information and were informed by the division that there was no account that solely captured claims expense in the risk management fund within the AMS financial system. Additionally, all expenditures, even those not related to actual claims, were included within the fund. Although the division manages claims and documentation related to financial payouts in the Riskonnect system, the expenses related to these claims do not carry over to AMS. Pursuant to discussion with the division, the *Riskonnect* system is used to track payout amounts and provides a review of each claim type for a specific time frame. The inability to capture or breakdown expenses, by type, may be problematic and cause difficulty preparing timely reports, performing cost analysis, and monitoring program efficiency and loss exposure.

Recommendation

We recommend the division record only claims expense within the related claims account in AMS and record other expense types within a separate account. This will allow the division to effortlessly run reports and increase the efficiency of claim reporting and analysis.

Concern 2 – Lack of Adequate Staffing

Adequate staffing is necessary for achieving operational efficiency and productivity. It is also a key to meeting organizational goals, stakeholder expectations, and decreasing attrition. During our audit, we noted a total of two hundred and fifty-eight (258) claims processed for Auto Physical Damage, Auto Liability, and General Liability during 2021; and a total of two (2) risk analysts dedicated to the review and investigation of the claims during this time. Given the size of the staff, the abundance of claims received in a given time frame, and extensive research associated with processing claims, there appears to be an imbalance in the division's workload. Management informed us that the division continuously receives an overwhelming number of claims, and are in the process of hiring additional staff to balance the workload. Failure to appropriately staff can cause burnout, increased errors, unfavorable health and wellbeing and employee turnover.

Recommendation

We recommend the Risk Management division continue its efforts in hiring additional staff to reduce the workload of current risk analysts and to support the abundant number of claims filed in the County. Additionally, increasing staffing will expand risk management's role and approach to risks.

CONCLUSION

Based on the audit performed, we identified four (4) findings and two (2) concerns noted below that require the attention of management:

- Lack of Divisional Standard Operating Procedures
- Lack of Reporting
- Lack of Risk Evaluation Process
- Lack of Training on Risk Awareness

Additionally, we noted the following concerns:

- Inability to Track Claim Payouts in AMS
- Lack of Adequate Staffing

Management should continue to ensure that appropriate corrective actions are taken to strengthen the internal controls and improve the operations of the respective divisions.

Please provide a written response to this audit within ten (10) business days. Be sure to address the written response to Anthony Nicks, County Auditor. The written response should be submitted to Shauna Herbert, Audit Manager, in the Office of the County Auditor at shauna.herbert@fultoncountyga.gov. We would like to thank management and staff for their timely cooperation and assistance during this audit. The distribution of this report is reserved for the executive management of Fulton County and the Board of Commissioners.