

Office of the Internal Auditor



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AUDIT REPORT

Claims Vendor Assignment Audit

August 30, 2016

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Executive Summary

Background

The Generic Assignment Module (GAM) allows claims related assignments to be allocated to vendors operating outside of the Claims Management System.

The GAM system module was first utilized in March of 2014 to support the Sinkhole Managed Repair Program and has since been expanded to include programs for court reporting, water mitigation and appraisal services. With the expected implementation of the Contractor Repair Services program in first quarter 2017, utilization of the GAM system module is expected to increase.

The GAM system module is integrated with Citizens ClaimsCenter and allows the assignment of vendors manually or automatically, generates workflow notifications to both the claims adjustor and the vendor and permits the claims adjustors to monitor the assignment progress. In addition, the GAM system module is designed to enable vendors to communicate directly with claims adjustors via the web portal, provide status updates, submit required documentation and release payment upon review and approval of the claims adjustor.

In 2015, 4169 claims had vendor assignments via the GAM system module. This represents 8.7% of all First Notice of Loss Claims and Reopened claims in 2015. The following chart shows the volume of claims by program with assignments facilitated through the GAM system module in 2015.

2015 GAM Processing Volume		
GAM Program	# of Claims	# of Assignments
Court Reporting Services	870	1266
Mitigation Water Review	1635	1776
Sinkhole Managed Repair Program	1664	1794
Appraisal Services entered production in 4/11/2016	-	-
Total	4169	4836

Audit Objectives and Scope

The expansion of Claims programs using the GAM system module and the roll out of the Contractor Repair Services Program has raised the potential impact of the GAM system module on Claims operations. As such, the Office of Internal Audit (OIA) objective is to assess how the GAM system module is utilized and to assess GAM system module process and procedures. In addition, OIA seeks to ensure that the GAM system module is able to effectively manage expected transaction volumes, which involved:

- Review of GAM workflow
- Review of administration of vendors within GAM
- Review ability of contractors to subcontract assignments to additional vendors
- Review GAM procedures and process documentation
- Review how vendor assignments are monitored and managed for timeliness, reliability, quality

Executive Summary

The contractor assignment workflow and monitoring for the Contractor Repair Services Program will be facilitated by the Claims Estimating Platform. This process change is under development and is currently undergoing user acceptance testing and stress testing. As such, substantive testing of the efficiency and accuracy of the assignment transactions would not provide added value at this time and as such was not in scope for this audit.

Audit Opinion

The overall effectiveness of the processes and controls with regards to the GAM process evaluated during the audit is rated as **Satisfactory**.

We found the controls implemented to administer vendor assignments in GAM are well developed and documented. Procedures and workflow automatically generate system notifications and emails at key points in the process and records generated within GAM and ClaimsCenter provide a reliable audit trail. Plans are proceeding to include the GAM system module into the Claims QA process and develop management monitoring. Procedures ensure vendors submit appropriate supporting documentation of work completed which must be reviewed and approved by a Claims Adjustor or Supervisor prior to payment.

We would like to thank management and staff in Accounting and Budget and Financial Systems for their cooperation and professional courtesy throughout the course of this audit.

Appendix 1

Definitions

Audit Ratings

Satisfactory:

The control environment is considered appropriate and maintaining risks within acceptable parameters. There may be no or very few minor issues, but their number and severity relative to the size and scope of the operation, entity, or process audited indicate minimal concern.

Needs Minor Improvement:

The number and severity of issues relative to the size and scope of the operation, entity, or process being audited indicate some minor areas of weakness in the control environment that need to be addressed. Once the identified weaknesses are addressed, the control environment will be considered satisfactory.

Needs Improvement:

The audit raises questions regarding the appropriateness of the control environment and its ability to maintain risks within acceptable parameters. The control environment will require meaningful enhancement before it can be considered as fully satisfactory. The number and severity of issues relative to the size and scope of the operation, entity, or process being audited indicate some noteworthy areas of weakness.

Unsatisfactory:

The control environment is not considered appropriate, or the management of risks reviewed falls outside acceptable parameters, or both. The number and severity of issues relative to the size and scope of the operation, entity, or process being audited indicate pervasive, systemic, or individually serious weaknesses.

Appendix 2

Issue Classifications

Control Category	High	Medium	Low
<i>Financial Controls (Reliability of financial reporting)</i>	<ul style="list-style-type: none"> Actual or potential financial statement misstatements > \$10 million Control issue that could have a pervasive impact on control effectiveness in business or financial processes at the business unit level A control issue relating to any fraud committed by any member of senior management or any manager who plays a significant role in the financial reporting process 	<ul style="list-style-type: none"> Actual or potential financial statement misstatements > \$5 million Control issue that could have an important impact on control effectiveness in business or financial processes at the business unit level 	<ul style="list-style-type: none"> Actual or potential financial statement misstatements < \$5 million Control issue that does not impact on control effectiveness in business or financial processes at the business unit level
<i>Operational Controls (Effectiveness and efficiency of operations)</i>	<ul style="list-style-type: none"> Actual or potential for public censure, fines or enforcement action (including requirement to take corrective actions) by any regulatory body which could have a significant financial and/or reputational impact on the Group Any risk of loss of license or regulatory approval to do business Areas of non-compliance identified which could ultimately lead to the above outcomes A control issue relating to any fraud committed by any member of senior management which could have an important compliance or regulatory impact 	<ul style="list-style-type: none"> Actual or potential for public censure, fines or enforcement action (including requirement to take corrective action) by any regulatory body Areas of non-compliance identified which could ultimately lead to the above outcomes 	<ul style="list-style-type: none"> Actual or potential for non-public action (including routine fines) by any regulatory body Areas of non-compliance identified which could ultimately lead the above outcome
<i>Compliance Controls (Compliance with applicable laws and regulations)</i>	Such an issue would be expected to receive immediate attention from senior management, but must not exceed 60 days to remedy.	Such an issue would be expected to receive corrective action from senior management within 1 month, but must be completed within 90 days of final Audit Report date.	Such an issue does not warrant immediate attention but there should be an agreed program for resolution. This would be expected to complete within 3 months, but in every case must not exceed 120 days.
<i>Remediation timeline</i>	Such an issue would be expected to receive immediate attention from senior management, but must not exceed 60 days to remedy.	Such an issue would be expected to receive corrective action from senior management within 1 month, but must be completed within 90 days of final Audit Report date.	Such an issue does not warrant immediate attention but there should be an agreed program for resolution. This would be expected to complete within 3 months, but in every case must not exceed 120 days.

Appendix 3

Distribution

Addressee(s) Greg Rowe, Assistant Director Claims
Latrice Grier, Assistant Director Vendor Relations

Copies **Business Leaders:**
Barry Gilway, President/CEO/Executive Director
Jay Adams, Chief Claims Officer
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Curt Overpeck, Chief Information Officer
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The Honorable Andy Gardiner, President of the Senate
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The External Auditor

Audit Performed By

Auditor in Charge Anthony Huebner

Audit Director John Fox

Under the Direction of Joe Martins
Chief of Internal Audit
