

Post-Audit Review 19-06: Injured on Duty Program

June 2020

City Auditor

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OFFICE OF INTERNAL AUDIT

Stan Sewell, City Auditor

June 12, 2020

To: Mayor Andy Berke
City Council Members

Subject: Post-Audit Review of Injured on Duty Program (Audit Report #19-06)

Dear Mayor Berke and City Council Members:

Attached is a summary report on the status of audit recommendations from our 2019 Injured on Duty (IOD) audit report. The purpose of this report is to confirm whether, and to what degree, management has implemented the recommendations made in the original audit.

Our audit concluded that Human Resource's administration of the IOD Program complies with the governing provisions of the Employee Information Guide (EIG) and applicable procedures. However, we identified key opportunities to improve the IOD claims management process and strengthen internal controls to prevent fraud, waste and abuse.

The audit identified ten (10) recommendations to improve IOD claims management functions and fraud risk governance. At the time of this Post-Audit Review, six (6) recommendations were partially implemented, and four (4) recommendations were fully implemented. Recommendations partially implemented are reported herein to the Audit Committee for follow-up, as appropriate.

Our Post-Audit Review consisted primarily of interviews with City personnel and examination of supporting documentation. The evidence we obtained provided a reasonable basis for our conclusions. However, the issues discussed in this report are not the result of an audit performed in accordance with generally accepted government auditing standards. Had we performed such an audit, additional issues might have been reported.

Sincerely,

Stan Sewell, CPA, CGFM, CFE
City Auditor

Attachment

cc: Audit Committee Members
Kerry Hayes, Chief of Staff
Maura Sullivan, Chief Operation Officer
Beverly Moultrie, Director of Human Resources
Michael Anthony, Safety Manager and IOD Program Director
Starla Benjamin, IOD Program Manager
Jim Arnette, Tennessee Local Government Audit

RECOMMENDATIONS PARTIALLY IMPLEMENTED (6)

<i>Recommendation</i>	<i>Actions Taken</i>
<p>5) We recommended establishing a comprehensive fraud risk management policy that includes red flag indicators of fraud. The policy should document and define roles and responsibilities of personnel as it relates to fraud risk governance.</p>	<p>Potential fraud indicators are identified and reviewed. The Safety Division investigates suspected fraud and prepares a report of their findings. Human Resources will be evaluating other anti-fraud procedures and best practices with the future TPA vendor. The solicitation for this service is currently posted and pending.</p>
<p>6) We recommended developing a comprehensive IOD anti-fraud training program and require employees to attend on an annual basis.</p>	<p>The Safety Division has developed this topic of training. With the assistance of the future TPA Vendor, the training will be revised as necessary.</p>
<p>7) We recommended developing and implementing a fraud risk assessment methodology based on the Committee of Sponsoring Organizations (COSO) Fraud Risk Management Guide leading practices.</p>	<p>The Safety Division has reviewed the COSO reference resource for the development of risk assessment procedures. The Safety Division will be developing an assessment methodology with the assistance of the future TPA vendor.</p>
<p>8) We recommended implementing a system of data analytics to identify anomalous claims, transactions, or events for further investigation.</p>	<p>The referenced categories are identified and reviewed. Human Resources will be evaluating other analytic tools with the future TPA vendor.</p>
<p>9) We recommended promoting a fraud tip reporting process with 24/7 availability, multilingual and anonymous reporting capability, and multiple reporting channels, e.g., phone, email, internet. Anonymous reporting could be facilitated by promoting the City-Wide Fraud, Waste and Abuse Hotline.</p>	<p>The IOD Program Director added the Internal Audit hotline information to the IOD policy. EIG updates are pending approval by City Council.</p>
<p>10) We recommended developing a continuous monitoring process for IOD program evaluation and remediation of identified deficiencies to ensure roles, responsibilities, and processes are clear and well defined.</p>	<p>The Safety Division is currently evaluating and identifying areas for improvement in real time. As the above policy and procedure developments are completed, each will be included in the Human Resources Department rotation of review.</p>

RECOMMENDATIONS FULLY IMPLEMENTED (4)

<i>Recommendation</i>	<i>Actions Taken</i>
<p>1) We recommended the Program Director determine the cause for systematic delays by Marathon in providing Work Status reports to the TPA, and develop a process to streamline delivery where practical and appropriate.</p>	<p>Human Resources established a communication group between the onsite clinic vendor, the TPA vendor, and the City. City personnel continually review potential communication improvements during file status reviews with each vendor.</p>
<p>2) We recommended increased oversight over the TPA to ensure claims are properly investigated, all pertinent medical records are obtained and reviewed prior to determining</p>	<p>The recommended level of oversight and review are required deliverables in the most recent contract renewal with the current TPA vendor. An additional staff member has been assigned to act</p>

compensability, and the City is timely notified whenever third-party negligence is a likely contributing factor.

3) We recommended the Program Director request and review the results of random quarterly claim file audits performed by the TPA.

4) We recommended quarterly conference calls with the TPA to discuss claim issues, trends, performance, and areas of improvement.

as a TPA Claims Manager, to provide additional focus on the vendor performance. Additional Safety Division staff have been assigned to assist with other areas of responsibility.

Quarterly file audit review is a required deliverable in the most recent contract renewal with the current TPA vendor. The City has received file reviews from the TPA since the renewal. The City met with the TPA claims manager to conduct a thorough review of all currently active files since the renewal.

This is a required deliverable in the most recent contract renewal with the current vendor. The City meets with the TPA leadership on a quarterly basis, and periodically with the TPA claims manager for file status review.

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Internal Audit's Fraud, Waste, and Abuse Hotline gives employees and citizens an avenue to report misconduct, waste or misuse of resources in any City facility or department.

Internal Audit contracts with a hotline vendor, Navex Global, to provide and maintain the reporting system. The third party system allows for anonymous reports. All reports are taken seriously and responded to in a timely manner. Reports to the hotline serve the public interest and assist the Office of Internal Audit in meeting high standards of public accountability.

To make a report, call 1-877-338-4452 or visit our website:

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