
CITY OF SAN ANTONIO
OFFICE OF THE CITY AUDITOR



Audit of Office of Risk Management

Claims Subrogation

Project No. AU22-040

December 14, 2022

Kevin W. Barthold, CPA, CIA, CISA
City Auditor

Executive Summary

As part of our annual Audit Plan approved by City Council, we conducted an audit of the Office of Risk Management, specifically the claims subrogation process. The audit objectives, conclusions, and recommendations follow:

Determine if the claims subrogation process is effective and in compliance with relevant policies and procedures.

We could not determine if the subrogation process is effective and in compliance with relevant policies and procedures due to a lack of data for subrogation claims. The Office of Risk Management (ORM) changed to a new third-party administrator (TPA), Cannon Cochran Management Services, Inc (CCMSI), on January 1, 2022, and the TPA had not transferred all subrogation claims data and documents to the new risk management information system (RMIS), Internet Claims Edge (iCE). As such, a conclusion could not be reached and supported.

For those areas we could review, we identified areas for improvement. Data for key performance indicators was inaccurately calculated and reported to management. Also, ORM users had inappropriate access to the iCE system.

We recommend that the Director of ORM:

- Work with CCMSI to ensure all historical claims data, including subrogation claims data, is uploaded to the iCE system in a timely manner.
- Implement a review and approval process for the KPI Performance Measures Reports to ensure the accurate calculation and documentation of data. Also, correct and restate prior reports.
- Implement a policy that periodically screens the iCE system for inactive accounts and removes them in a timely manner.

The ORM agreed with the audit findings and has developed positive action plans to address them. Management's verbatim response is in Appendix B on page 7.

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Background

The Office of Risk Management (ORM) is responsible for subrogation activities for the City of San Antonio. Subrogation occurs when the City's property is damaged or an employee is injured by third-parties and legal liability may be asserted against that party. The Claims Unit within the ORM will then pursue the recovery of damages as allowed by law.

There are two types of subrogation claims: property damage and bodily injury. Property damage is where City property like vehicles or signs are damaged. Bodily injury occurs when an employee is injured and workers' compensation payments are made.

The Claims Unit receives notice of potential subrogation opportunities through the review of police reports, departmental notification of property damage, or workers' compensation claims from their third-party administrator (TPA), Cannon Cochran Management Services, Inc (CCMSI). The Claims Unit will then review the notice for subrogation potential. If subrogation can be pursued, they will research the incident to obtain accurate damage estimates. Once this is done, all damage estimates are compiled and a demand letter is sent to the adverse party. Subrogation claims are managed with the Internet Claims Edge (iCE) risk management information system (RMIS) which is administered by CCMSI. CCMSI became the TPA for ORM on January 1, 2022.

For FY 2021, the City of San Antonio received \$1.1 million in subrogation payments.

Audit Scope and Methodology

The audit scope was the claims subrogation process from the last quarter of FY 2021 through FY 2022 ending March 31, 2022.

We interviewed staff and management to gain an understanding of the subrogation process including property damage and workers' compensation claims. We also reviewed the subrogation payment recording process and the monthly allocation journal entry for subrogation payments. Additionally, we gained an understanding of how subrogation recoveries are monitored which is a key performance indicator (KPI). Finally, we reviewed the process for granting, removing, and monitoring access to iCE.

We reviewed ORM's policies and procedures for the subrogation process to determine if they were adequate. Additionally, we reviewed the process departments use to notify ORM of possible subrogation claims to determine if it was reasonable. We also obtained a random sample of ten weekly deposit packets to determine if they had been recorded correctly in SAP and if ORM complied with AD 8.1 Cash Handling. In addition, we reviewed three monthly allocation journal entries to determine if they had been approved and recorded correctly in SAP. We also obtained a random sample of 25 closed subrogation claims to determine if they were properly supported. Additionally, we reviewed the subrogation KPI Performance Measures Reports for three separate months to determine if they were accurate and being presented to management every month. Finally, we reviewed user access in iCE to determine if it was appropriate.

We assessed internal controls relevant to the audit objective. This included a review of policies and procedures, and the subrogation claims process.

We relied on computer-processed data in the iCE system to validate the support for the closed subrogation claims. Our reliance was based on performing direct tests on the data rather than evaluating the system's application controls. Our direct testing included obtaining a random sample of 25 closed subrogation claims and determining if proper support was maintained in the iCE system. We also tested access to the iCE system to determine if it was appropriate. We do not believe that the absence of testing application controls had an effect on the results of our audit.

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 Results and Recommendations

A. Subrogation Claims Data

The subrogation claims process was not supported with proper documentation. We obtained a random sample of 25 closed subrogation claims with a recovery and determined 12 of 25 were missing either a demand letter, support, or both. ORM indicated the new TPA, CCMSI, had not yet uploaded all claims data to their RMIS, iCE. The iCE system was implemented in January 2022, and subsequently continues to have issues with the transfer of historical claims data.

Due to the missing supporting documentation, we could not conclude on the effectiveness of the subrogation claims process.

Recommendation

The Director of ORM work with CCMSI to ensure all historical claims data, including subrogation claims data, is uploaded to the iCE system in a timely manner.

B. Monitoring

Recoveries for subrogation claims are not properly monitored by Risk Management. Percentage of Recoveries of City Damages is a monitored key performance indicator (KPI) for the subrogation process and its status is reported to ORM management every month.

The audit team reviewed three monthly subrogation KPI Performance Measures Reports from September 2021, November 2021, and March 2022 and determined some of the data was not calculated correctly. This included the year-end forecast of progress on the goal established for subrogation recoveries for all three months. Additionally, one month presented a summary table of Percentage of Recoveries of City damages that was entirely inaccurate. As such, inaccurate data was presented to management.

This occurred because ORM does not have a formal review process in place to review and approve the data on the KPI Performance Measures Reports before it is presented to management. Improper monitoring of subrogation recoveries could lead to a potential loss of revenue.

Recommendation

The Director of ORM implement a review and approval process for the KPI Performance Measures Reports to ensure the accurate calculation and documentation of data. Also, correct and restate prior reports.

C. iCE System Access

Users had inappropriate access to the iCE system. We reviewed all 39 users with access to the iCE system and determined one user was no longer employed with the City and one user was inactive on military leave. We also reviewed the policy ORM has for managing access to iCE and determined it does not include monitoring procedures for inactive accounts.

AD 7.8d states that all COSA Systems must be periodically screened for inactive accounts. Inappropriate access to the iCE system could lead to the collection of sensitive claims information or personally identifiable information (PII).

Recommendation

The Director of ORM implement a policy that periodically screens the iCE system for inactive accounts and removes them in a timely manner.

Appendix A – Staff Acknowledgement

Baltazar Vargas, CPA, CIA, CFE, Audit Manager
Douglas Francis, CIA, Auditor in Charge
Sabrina Salinas, Auditor

Appendix B – Management Response



CITY OF SAN ANTONIO

SAN ANTONIO TEXAS 78283-3966

October 27, 2022

Kevin W. Barthold, CPA, CIA, CISA
City Auditor
San Antonio, Texas

RE: Management's Corrective Action Plan for Audit of Office of Risk Management Claims Subrogation

The Office of Risk Management has reviewed the audit report and has developed the Corrective Action Plan below corresponding to the report recommendation.

Recommendation					
#	Description	Audit Report Page	Accept, Decline	Responsible Person's Name/Title	Completion Date
1	<p>Subrogation Claims Data</p> <p>The Director of ORM work with CCMSI to ensure all historical claims data, including subrogation claims data, is uploaded to the iCE system in a timely manner.</p>	4	Accept	Lisa Valdez	12/23/2022
<p>Action plan: We will continue to monitor the progression of document uploads through completion of the data conversion process.</p>					
1	<p>Monitoring</p> <p>The Director of ORM implement a review and approval process for the KPI Performance Measures Reports to ensure the accurate calculation and documentation of data. Also, correct and restate prior reports.</p>	4	Accept	Lisa Valdez	10/1/2022

Recommendation					
#	Description	Audit Report Page	Accept, Decline	Responsible Person's Name/Title	Completion Date
	Action plan: a. To eliminate manual data entry error, KPI Performance Measure data will be copied into a table and transferred to the KPI PowerPoint. b. The DFA will perform final review to ensure accurate calculations prior to presenting monthly KPIs to management. c. FY21 and FY22 measures will be corrected in the department's KPI historical data.				
1	ICE System Access The Director of ORM implement a policy that periodically screens the iCE system for inactive accounts and removes them in a timely manner.	5	Accepted	Lisa Valdez	10/1/2022
	Action plan: The RMIS platform access policy has been developed: Access to the RMIS system (CCMSI iCE System) will be controlled to prevent unauthorized users access to these platforms. Request for user roles, responsibilities, additions, removal or modifications will be initiated by the CoSA Claims Administrator or designee through use of a formal email request. Quarterly, the Claims Administrator or designee will screen the iCE System for inactive accounts to be removed. CCMSI will respond to all access control requests within 48 hours with conformation of action taken.				

We are committed to addressing the recommendation in the audit report and the plan of action presented above.

Sincerely,

Debra M. Ojo

 Debra Ojo
 Director
 Office of Risk Management

10/27/2022

 Date

Ben Gorzell

 Ben Gorzell
 Chief Financial Officer
 City Manager's Office

11/18/2022

 Date