

**CITY OF SHREVEPORT
INTERNAL AUDIT OFFICE
AUDITING ALERT AA2013-07**

Date: December 31, 2013

To: Evelyn Kelly
Risk Manager, Risk Management Division

Subject: Vehicle Insurance

Introduction

The Internal Audit Office has completed limited scope work regarding the above-referenced concern. Our office was notified that inaccuracies existed in the vehicle insurance records of the City. As a result, our office reviewed this area for adequacy, effectiveness, and efficiency.

The methodology used included discussions with personnel and a review of documentation. We conducted this review in accordance with generally accepted governmental auditing standards, except that a peer review has not been performed, and included such tests of procedures and controls as considered appropriate. We believe that the evidence obtained provides a reasonable basis for our findings, conclusions, and recommendations based on our objectives.

Observations/Recommendations

The Internal Audit Office expresses appreciation to the management and personnel of the Risk Management Division for the cooperation and assistance. We reported two findings and they both were low level and non-critical.

1. Accuracy of Insurance Records

Criteria: Insurance records should be up to date and reflect the inventory currently owned by the City of Shreveport.

Condition: When reviewing insurance records maintained by Risk Management, we identified several instances where insurance policies did not accurately reflect inventory owned by City Departments and Divisions. Currently, there is no formal process in place to check the accuracy and timeliness of these records. We noted instances that departments had not notified Risk Management of obsolete inventory that should no longer be insured and of new equipment that should be included on the insurance policies. When we reviewed the list provided by Risk Management, we saw 65 items from those sources that were either "has been disposed" or "record does not exist" in the City inventory record system. We also noted that there were at least 11 items that were not found on the list provided by Risk Management but were in the City inventory record system.

Effect: Risk that all vehicles/equipment for the City of Shreveport are not adequately and properly insured.



Cause: Risk Management relies on other departments to inform them when inventory is added or deleted. Because of the manual process involved, in some cases, the departments do not communicate the necessary information in a timely and accurate manner.

Recommendation: We recommend that Risk Management work with other departments to develop a process to obtain inventory information to update insurance policies.

Management Response - From Risk Management:

The Risk Manager concurs with Internal Audit regarding accuracy of records as it is just good business practice; however, in the case of City-owned vehicles, an inventory that reflects any inaccuracies does not pose a risk to the City of Shreveport for the following reasons:

- City of Shreveport vehicles are insured under Symbol 1 which means All Vehicles; therefore, all City vehicles are automatically insured whether or not they appear on an inventory list. This standard was developed and adopted by the Insurance Industry many years ago to insure organizations with Vehicle Fleets are protected as this area is always a moving target.
- Insurers for the City of Shreveport use an estimate (vehicle count), not vehicle type to determine the insurance rates; therefore, the City is protected and not at risk. Nonetheless, an inventory list is forwarded to the insurer upon insurance renewals; added and/or deleted fleet.

Conclusion: It is the responsibility of the Department that purchases and sells/deletes City Vehicles to ensure Vehicle Fleet Inventory is accurate as, again, this is good business practice; however, Risk Management has no jurisdiction or authority over Fleet Services or other Departments. Risk Management suggests that the Department perform a thorough inspection (physical inspection) of each vehicle and start with a clean slate. Once this is done, the Department can send inventory to Risk Management on a quarterly basis for review.

Timetable: During the next 12 months, Risk Management will work with Fleet Services and the Departments to assist in developing a quarterly inventory review.

2. Insurance Cards

Criteria: All vehicles and heavy equipment from the City of Shreveport should have valid insurance cards with them at all times.

Condition: Insurance cards maintained in the City of Shreveport vehicles are generic, copied insurance cards being used as proof of insurance for vehicles and heavy equipment. Although the effective and expiration dates of the policy is included, other identifying information such as Year, Make/Model, Vehicle



Identification Number (VIN) of the vehicles and equipment etc. is not included on the card to identify the specific vehicles being insured.

Effect: Insurance cards being given out without any ability or process to control the authenticity.

Cause: For efficiency in issuing cards, generic cards were copied and issued for vehicles and heavy equipment.

Recommendation: We recommend that the Risk Management Division establishes some type of control over the insurance documents such as Gate Keeper or Master Controller with a master stamp. We recommend that the Risk Management Division establishes control over the insurance documents.

Management Response - From Risk Management:

The Risk Manager concurs with Internal Audit regarding the fact that City of Shreveport vehicles should carry valid insurance identification cards; however, so-called "generic" vehicle cards are standard in the insurance industry for Vehicle Fleets. In the event of an incident or accident, an investigation will expose any fraudulent actions regarding whether or not the vehicle is owned by the City of Shreveport.

Timetable: Upon the next insurance renewal, Risk Management will develop a Master Stamp and stamp the back of the Vehicle Identification Card prior to issuance.

Prepared by:

A handwritten signature in black ink that reads "Brian Nguyen". The signature is written in a cursive style and is positioned above the printed name.

Brian Nguyen
Staff Auditor

Approved by:

A handwritten signature in black ink that reads "Leanis L. Steward". The signature is written in a cursive style and is positioned above the printed name.

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CAO
City Council
Finance Director
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