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NEWS RELEASE

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FOR RELEASE September 11, 2018

Auditor of State Mary Mosiman today released a report on a review of the privatization of the State's risk management program administered by the Department of Administrative Services (DAS) for the period July 1, 2009 through June 30, 2017. The review was performed to evaluate the cost-effectiveness of the privatization and determine whether risk management services improved subsequent to the privatization.

Mosiman reported, prior to September 2012, Fleet Risk Management (Risk Management) within the Central Procurement and Fleet Services Enterprise (DAS-CPFSE) of DAS was responsible for the administration of the State's vehicle self-insurance program (insurance program), including investigation, negotiation, and settlement of all liability, collision, and comprehensive claims. Risk Management was also responsible for establishing the per vehicle insurance premium charged to each state agency to fund the insurance program. However, in September 2012, the position of the DAS-CPFSE employee responsible for administering the insurance program was eliminated.

In January 2012, DAS issued a Request for Proposal unrelated to the State's vehicle self-insurance program to procure services for insurance consulting and related risk management services for builder risk insurance and special vehicle insurance for the Iowa Public Television filming truck. The contract was subsequently awarded to Holmes Murphy & Associates (Holmes Murphy) through a competitive bidding process. After the contract was awarded, an addendum was added in December 2012 to include third-party administration of claims for physical damage to the State's vehicle fleet in Holmes Murphy's scope of services. However, the addendum was not sent out for bid as required by the Iowa Administrative Code. Holmes Murphy subsequently subcontracted its administration responsibilities to its subsidiary, Creative Risk Solutions (CRS). Effective January 1, 2016, DAS-CPFSE contracted directly with CRS.

According to discussions with DAS representatives, contracting with a third party allows the State to compare vehicle claims to an outside benchmark. In addition, they stated the software used by Holmes Murphy would cost the State approximately $300,000 to $400,000 to purchase, install, and maintain. DAS representatives also stated contracting with Holmes Murphy resulted in cost savings to the State due, in part, to negotiated pricing and use of secondary parts to repair State vehicles. However, no cost analyses were performed prior to, or subsequent to, the privatization to substantiate either potential or actual cost savings. DAS representatives stated the goal is to decrease state agency fees if cost savings are realized. However, at the time of the review, no cost savings had been passed through to state agencies in reduced insurance premiums.

An analysis of total revenues and expenditures for the Risk Management fund shows, although there were fluctuations, there was no significant change in total revenues and expenditures from fiscal year 2010 to fiscal year 2017 as illustrated below.

Fiscal Year	Revenues	Expenditures
2010	$ 1,239,997	1,357,694
2011	1,296,138	895,668
2012	1,273,749	1,325,209
2013	1,327,115	1,797,860
2014	$ 1,477,100	1,638,259
2015	1,353,672	1,287,687
2016	1,261,384	1,413,946
2017	1,316,765	1,386,718

Source: Monthly financial status reports produced by the State Accounting Enterprise within DAS.

Insurance premiums collected from state agencies steadily decreased from fiscal year 2012 to fiscal year 2017; however, this decrease was primarily related to the decreasing number of vehicles maintained in the State's fleet not reduced insurance premiums paid by state agencies. A review of the insurance premium charged to state agencies showed the rate remained the same for the period reviewed. Attempted analyses of other components of the Risk Management fund's revenues were inconclusive because there was no consistency in the revenue coding used by DAS to record the activity in the State's accounting system.

Mosiman reported, while total expenditures remained fairly stable, the costs associated with claims processing for risk management steadily increased from fiscal year 2012 to fiscal year

2017. In fiscal year 2012, payroll, supplies, and consulting costs totaled $94,482. However, in fiscal year 2015, payroll, supplies, and administrative fees totaled $131,146. Similar to revenues, attempted analyses of other components of the Risk Management fund's expenditures were inconclusive because there was no consistency in the expenditure coding used by DAS to record the activity in the State's accounting system.

Mosiman reported an overall analysis of cost savings resulting from the privatization of risk management services was not possible due, in part, to the manner in which the supporting documentation and financial transactions were recorded and maintained. Neither DAS nor the Legislative Services Agency (LSA) was able to provide copies of cost analyses referenced during the review. In addition, LSA personnel stated an analysis was not possible due to the state of the records.

The report includes recommendations to strengthen internal controls and overall operations, including segregating duties for collection of receipts, maintaining an accounts receivable listing, and improving consistency for recording revenues and expenditures. In addition, DAS should implement procedures to approve vehicle repairs and claim payments before they are initiated, monitor the status of claims reported, and independently track claims through resolution. Also, if a significant process change or privatization of an area of operations is considered in the future, DAS should implement procedures to ensure a cost analysis is performed prior to taking action to determine whether the proposed change will be cost effective and after the proposed change to ensure any projected cost savings were achieved.

A copy of the report is available for review in the Office of Auditor of State and on the Auditor of State's web site at https://auditor.iowa.gov/reports/audit-reports/.

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REPORT ON A REVIEW OF THE PRIVATIZATION OF THE STATE'S RISK MANAGEMENT PROGRAM ADMINISTERED BY THE DEPARTMENT OF ADMINISTRATIVE SERVICES

FOR THE PERIOD
JULY 1, 2009 THROUGH JUNE 30, 2017

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Auditor of State's Report

To Janet Phipps, Director of the
Iowa Department of Administrative Services:

In conjunction with our audit of the financial statements of the State of Iowa and in accordance with Chapter 11 of the *Code of Iowa*, we conducted a review of the privatization of the State's risk management program administered by the Department of Administrative Services (DAS) for the period July 1, 2009 through June 30, 2017 except as noted to determine if efficiencies and/or cost savings were achieved. As part of the review, we performed the following procedures:

1. Reviewed applicable sections of the *Code of Iowa*, the Iowa Administrative Code, and DAS policies and procedures for risk management.
2. Interviewed personnel from DAS and Creative Risk Solutions (CRS) to gain an understanding of the administration of the State's risk management program prior to and subsequent to privatization in September 2012.
3. Evaluated internal controls of the risk management program subsequent to September 2012 to determine whether adequate policies and procedures were in place to ensure all claims paid by CRS were accurate and valid and all collections received by CRS were properly forwarded to DAS.
4. Reviewed the process used by DAS to establish the insurance premiums charged to all state agencies to determine whether the insurance premiums were properly calculated and supported with adequate documentation.
5. Examined risk management revenues to determine the source of the funds, whether the revenues were properly recorded in the State's accounting system, and whether the revenues received were sufficient to support the administration of the risk management program for the period July 1, 2009 through June 30, 2015.
6. Examined paid claims and other risk management expenditures to determine whether paid claims were accurate, processed in accordance with established DAS procedures, and supported with adequate documentation. Also, to determine whether the expenditures were properly recorded in the State's accounting system for the period July 1, 2009 through June 30, 2015.
7. Compared total payroll and other administrative costs for the risk management program prior to September 2012 to total payroll and other administrative costs subsequent to September 2012 to determine whether cost savings were achieved for the period July 1, 2009 through June 30, 2015.
8. Analyzed the overall financial position of the risk management program to determine whether efficiencies and/or cost savings were achieved as a result of the privatization.
9. Reviewed the process used by DAS to contract with Holmes Murphy & Associates to ensure DAS complied with established policies and procedures.

The procedures determined an overall analysis of cost savings resulting from the privatization of risk management services was not possible due, in part, to the manner in which the supporting documentation and financial transactions were recorded and maintained. Copies of cost analyses were not received from either DAS or the Legislative Services Agency (LSA). In addition, we identified concerns with the segregation of duties for collection of receipts, lack of an accounts receivable listing, and inconsistency in recording of revenues and expenditures. Also, no procedures were in place to approve vehicle repairs and claim payments before they were initiated, and there were no monitoring procedures to independently track the status of claims. We have developed certain recommendations and other relevant information we believe should be considered by the Department of Administrative Services.

We would like to acknowledge the assistance and many courtesies extended to us by the officials and personnel of the Iowa Department of Administrative Services and Creative Risk Solutions throughout our review.

Mary Mosiman

MARY MOSIMAN, CPA
Auditor of State

January 23, 2018

Introduction

In accordance with Chapter 8A of the *Code of Iowa*, the Iowa Department of Administrative Services (DAS) was created for the purpose of managing and coordinating the major resources of state government. To accomplish its goals, 5 enterprises were established within DAS, including the Central Procurement and Fleet Services Enterprise (DAS-CPFSE), the Human Resources Enterprise, the General Services Enterprise, the State Accounting Enterprise, and DAS Core Operations. Each Enterprise is overseen by a Chief Operating Officer who reports to the Director of DAS.

The Fleet Services Division within DAS-CPFSE is responsible for the acquisition, management, operation, maintenance and repair, and disposal of motor vehicles used for the transportation of State employees in their official duties. In addition, prior to September 2012, Fleet Risk Management (Risk Management) administered the State's vehicle self-insurance program, including investigation, negotiation, and settlement of all liability, collision, and comprehensive claims. Risk Management was also responsible for establishing the per vehicle insurance premium charged to each state agency to fund the vehicle self-insurance program.

However, in September 2012, the position of the DAS-CPFSE employee responsible for administering the vehicle self-insurance program was eliminated, and DAS-CPFSE contracted with Holmes Murphy & Associates (Holmes Murphy), a third-party administrator, to provide risk management services, including investigation, negotiation, and subrogation of any claims involving the State's vehicle fleet. Holmes Murphy subsequently subcontracted its third-party administration responsibilities to its subsidiary, Creative Risk Solutions (CRS). Risk Management retained the responsibility of calculating and establishing the insurance premium to be charged to each state agency to fund the vehicle self-insurance program. Effective January 1, 2016, DAS-CPFSE contracted directly with CRS.

Risk Management Program

Although the administration of the State's risk management program was restructured, the process for State employees in a vehicle accident remained unchanged. The flow of information and related documentation changed, however, after DAS-CPFSE contracted with Holmes Murphy. Claims are still reported to the DAS-CPFSE Public Service Executive 2 (PSE2) assigned to Risk Management, who sends an e-mail to eClaims at CRS to notify them a claim was filed. The State employee involved in the accident is instructed to obtain an estimate at a State-approved repair shop located within 30 miles, if possible. If the State employee is at fault, CRS reviews the claim and conducts an investigation following the tort claim procedures established by DAS-CPFSE prior to contracting with a third-party administrator. DAS-CPFSE authorized CRS to approve and pay tort claims totaling $5,000 or less on its behalf. See **Finding A**. However, if the tort claims exceeds $5,000, CRS provides a recommendation for payment to the DAS-CPFSE PSE2 after reviewing the claim and conducting an investigation. After the vehicle is repaired, the vendor submits an invoice to CRS who issues a check for damages.

According to DAS representatives, effective August 2016, CRS no longer pays claims on behalf of the State. They further stated this change in process was recommended by CRS after an internal review. Claims are now approved by the DAS-CPFSE PSE2 and forwarded to DAS Finance for payment.

CRS also subrogates claims with the responsible third-party when the State employee is not at fault. CRS monitors the status of the claim and forwards all collections received to the DAS-CPFSE PSE2. Previously, any unpaid claims exceeding $1,200 were submitted to a collection agency by CRS after 90 days from the date payment was requested. The collection agency retained 50% of the amount recovered and issued a check payable to the State for the remainder, which was sent to CRS. In addition, CRS compiled a list of any unpaid claims less than $1,200, which was sent to DAS for those claims to be written off. However, DAS-CPFSE did not maintain a listing of accounts receivable from outside parties to monitor whether all amounts owed the State were remitted. See **Finding B**. According to DAS representatives, currently, this process has been suspended due to its lack of success, and DAS-CPFSE is working in conjunction with the Attorney General's Office to implement a different process.

Risk Management revenues are primarily received from state agencies, private insurance companies, and individuals. All state agencies remit a monthly per vehicle fee to DAS for risk management services, similar to an individual's insurance premium. In addition, all state agencies pay a $500 deductible to DAS for each accident involving a vehicle assigned to their agency. DAS also receives reimbursements from the State Executive Council for vehicle damage incurred as a result of an animal or act of nature, referred to as 29C.20 claims after the section of the *Code of Iowa* which established the process. DAS receives reimbursements from private insurance companies for damages to State vehicles when a State employee is at fault. However, if a non-State employee is at fault and the private insurance company does not reimburse the State for damages, the individual pays restitution to the State. If the extent of damage to a State vehicle is such that it is considered a total loss, DAS also receives revenue from the sale of the salvage vehicle.

Risk Management expenditures include:

- administrative costs of claims processing, including payroll. Holmes Murphy provided 2 billing statements to DAS each month for payment, a bill for administrative costs and a bill for claims paid by CRS. As previously stated, CRS no longer pays claims on behalf of the State effective August 2016.
- vehicle repairs caused by an accident.
- windshield replacements.
- personal injury claims less than $200,000, which are settled prior to being filed in court.

Risk Management also refunds state agencies the $500 deductible if the State employee was not at fault and DAS receives reimbursement for the cost of vehicle repairs. The State does not prepay any insurance claims.

Revenues

Risk Management functions similar to a private insurance company for certain aspects. All state agencies with assigned vehicles are charged a monthly premium for each vehicle they operate, and the monthly premiums for the State's pooled vehicles are charged to DAS' Motor Pool Revolving Fund. The monthly premiums are used to fund the vehicle self-insurance program which pays tort claims, administrative expenses, and vehicle repair costs. The monthly premium to be charged is determined annually by Risk Management based on anticipated claims and the number of vehicles in the State's fleet. The monthly premiums are deducted electronically from each state agency and recorded in the State's accounting system as vehicle dispatch insurance.

We reviewed the calculation of the monthly premiums and evaluated whether the monthly premiums charged for the period reviewed were sufficient for operating the vehicle self-insurance program. We also analyzed the revenue received from state agencies to determine whether any cost savings were realized by the state agencies as a result of the privatization of risk management services.

According to DAS-CPFSE personnel, the annual premium for the period July 1, 2009 through June 30, 2013 was calculated by dividing the annual Risk Management budget by the number of vehicles in the State's fleet as of a certain date. The calculated annual premium is then divided by 12 to determine the monthly premium to charge each state agency for each vehicle they operate. Beginning with fiscal year 2014, DAS-CPFSE began using 5-year historical data to calculate the monthly premium, including accident cost information, claim data, and restitution amounts. This information was analyzed to determine the budget amount necessary to maintain a fund balance of approximately $1 million. Effective fiscal year 2017, DAS-CPFSE lowered the target fund balance to $250,000. According to DAS representatives, historically, there had only been 1 major claim in the past 10 years. As a result, a $1 million fund balance was not considered necessary.

We attempted to recalculate the annual premium for the period reviewed; however, DAS-CPFSE was unable to provide sufficient supporting documentation for the number of vehicles used in its calculation. Based on the calculations provided, we determined the annual premium billed to all state agencies increased approximately 10.5% from $288.00 in fiscal year 2010 to $318.12 in fiscal year 2011. However, the annual premium decreased approximately 10.5% to $284.76 in fiscal year 2012 and then remained unchanged for the period July 1, 2011 through June 30, 2015. DAS-CPFSE calculated substantial rate increases for fiscal years 2016 and 2017 to $327.41 per year and $405.09 per year, respectively. However, based on a review of supporting documentation, they continued to charge the same annual premium calculated for fiscal year 2012. DAS representatives were unable to provide an explanation for why the annual premium charged did not align with the calculated amounts.

Table 1 summarizes the Risk Management fund balance by fiscal year for fiscal years 2010 through 2017 included in the State's Comprehensive Annual Financial Report (CAFR).

Table 1

Fiscal Year	Fund Balance
2010	$ 539,119
2011	993,589
2012	1,081,844
2013	547,542
2014	549,486
2015	417,547
2016	(530,750)
2017	(1,438,229)

As illustrated by the **Table**, the fund balance decreased significantly after the privatization of risk management services. In addition, as illustrated by the **Table**, the Risk Management fund balance for fiscal years 2013 through 2015 were significantly less than the $1 million DAS-CPFSE intended to maintain, and the fund balances for fiscal years 2016 and 2017 were in a deficit position. See **Finding C**. According to DAS representatives, the deficit position reported in the State's CAFR is primarily the result of recorded loss contingencies, which are estimated liabilities based on historical data and industry standards. Based on a review of the State's CAFR, we were able to verify this statement. In addition, based on a review of the supporting documentation for the estimation of the liability, claims incurred exceeded claims paid for several fiscal years which increased the outstanding liability recorded, and a significant change was made to the estimation method in fiscal year 2017.

Schedule 1 summarizes the revenues and expenditures reported on the monthly financial status reports prepared by DAS for Risk Management for fiscal years 2010 through 2017, and **Schedule 2** summarizes the detailed revenues and the increase and/or decrease for Risk Management for fiscal years 2010 through 2017. Each of the revenue sources are discussed in detail in the following paragraphs.

Vehicle Dispatch Insurance – We reviewed the State's accounting records for fiscal years 2010 through 2015 to determine the insurance premium collections recorded as vehicle dispatch insurance. **Table 2** summarizes the insurance premium collections recorded, the adjustment for unrelated revenue, and the change for each fiscal year. Based on a review of the individual transactions recorded, we determined the vehicle dispatch insurance collections for fiscal years 2012 through 2015 included a reimbursement received from Iowa Public Television (IPTV) for the separate policy held with Holmes Murphy for IPTV's satellite truck. This revenue is unrelated to Risk Management. In addition, we identified $58,590.91 recorded as vehicle dispatch insurance in fiscal year 2010, which should not have been recorded under Risk Management. Because they are not related to Risk Management, we subtracted the IPTV reimbursements, as well as the $58,590.91 recorded in fiscal year 2010, from total vehicle dispatch insurance revenue to ensure the accuracy of our analysis.

Table 2

Fiscal Year	Vehicle Dispatch Insurance Revenue	Less: Unrelated Revenue	Net Vehicle Dispatch Insurance Revenue	Dollar Change	Percent Change Increase/ (Decrease)
2010	$889,102.91	(58,590.91)	830,512.00	-	-
2011	971,630.45	-	971,630.45	141,184.45	17.00%
2012	889,081.66	(14,052.00)	875,029.60	(96,600.85)	(9.94)
2013	853,731.22	(14,450.00)	830,656.08	(44,373.52)	(5.07)
2014	833,745.45	(12,622.00)	820,844.43	(9,811.65)	(1.18)
2015	833,239.68	(14,175.00)	765,751.56	(55,092.87)	(6.71)

As illustrated by the **Table**, there was a 17.00% increase in insurance premiums from fiscal year 2010 to fiscal year 2011 fiscal year; however, this was offset by a 9.94% decrease the next fiscal year. From fiscal year 2012 to fiscal year 2015, total insurance premiums collected steadily decreased, primarily due to the reduced number of vehicles in the State's fleet each fiscal year beginning with fiscal year 2012.

Insurance Deductibles – Similar to private insurance companies, DAS-CPFSE charges state agencies a deductible if an employee of their agency is involved in an accident. The established deductible is $500 per claim and is charged to each state agency regardless of fault. However, if the cost to repair the damage is less than $500, DAS-CPFSE charges the state agency actual cost.

We reviewed the State's accounting records for fiscal years 2010 through 2015 to determine the insurance deductibles received from state agencies. We attempted to determine if any increase and/or decrease in the deductibles collected resulted from fewer accidents occurring since the privatization of risk management services. However, DAS-CPFSE discontinued collecting deductibles from state agencies for windshield repairs and replacements in early 2013, which inflates any decreases identified.

Table 3 summarizes the insurance deductibles collected, an adjustment for an unrelated collection, and the change for each fiscal year. Based on a review of the individual transactions recorded, we determined the insurance deductible collections for fiscal year 2010 included the reimbursement received from IPTV for the separate policy held with Holmes Murphy for the satellite truck. As previously stated, this revenue is unrelated to Risk Management. As a result, we subtracted the IPTV reimbursement from total insurance deductible collections to ensure the accuracy of our analysis.

Table 3

Fiscal Year	Insurance Deductible Revenue	Less: Unrelated Revenue	Net Insurance Deductible Revenue	Dollar Change	Percent Change Increase/ (Decrease)
2010	$210,900.42	(13,582.00)	197,318.42	-	-
2011	176,483.66	-	176,483.66	(20,834.76)	(10.56)%
2012	198,012.13	-	198,012.13	21,528.47	12.20
2013	175,219.08	-	175,219.08	(22,793.05)	(11.51)
2014	163,665.36	-	163,665.36	(11,553.72)	(6.59)
2015	142,815.79	-	142,815.79	(20,849.57)	(12.74)

When DAS-CPFSE receives reimbursement from an insurance company or an individual, the portion to be refunded to a state agency is recorded as negative revenue in Reimbursements from Other State Agencies. However, based on a review of the transactions recorded in this revenue code, other funds were also being recorded in this revenue code, which were not reimbursements of deductibles to state agencies. Specifically, in fiscal year 2011, the reimbursement received from IPTV for the separate policy held with Holmes Murphy for the satellite truck was recorded under this revenue code. As previously stated, this revenue is unrelated to Risk Management and should not have been recorded under this revenue code. In addition, we identified immaterial tax offset amounts, 29C.20 reimbursements, payments received for the defensive driving course, and insurance deductibles remitted to Risk Management, which should not have been recorded under this revenue code. DAS-CPFSE personnel did not provide an explanation for the miscodings. Because they are not related to Risk Management, we subtracted the IPTV reimbursement, as well as the other miscellaneous amounts identified, from total reimbursements from other state agencies to ensure the accuracy of our analysis. See **Finding D**.

Table 4 summarizes the reimbursements from other state agencies recorded, the adjustments for unrelated revenue, and the change for each fiscal year.

Table 4

Fiscal Year	Reimbursements from Other State Agencies	Less: Unrelated Revenue	Net Reimbursements from Other State Agencies	Dollar Change	Percent Change Increase/ (Decrease)
2010	$(26,187.18)	2,678.50	(28,865.68)	-	-
2011	1,059.40	14,773.88	(13,714.48)	(15,151.20)	(52.49)%
2012	(13,300.97)	165.00	(13,465.97)	(248.51)	(1.81)
2013	(21,551.04)	6,143.50	(27,694.54)	14,228.57	105.66
2014	(40,683.94)	5,674.60	(46,358.54)	18,664.00	67.39
2015	(28,036.60)	(644.60)	(27,392.00)	(18,966.54)	(40.91)

As illustrated by **Table 4**, the insurance deductibles reimbursed to state agencies decreased in fiscal years 2011 and 2012. However, the DAS-CPFSE employee responsible for these reimbursements is no longer employed with the State, and current DAS-CPFSE personnel were unable to provide a reason for the decrease. Also as illustrated by **Table 4**, the insurance deductibles reimbursed to state agencies increased 105.66% in fiscal year 2013 and 67.39% in fiscal year 2014. While the amount reimbursed in fiscal year 2013 was similar to fiscal year 2010, DAS-CPFSE personnel were unable to determine if the increase in fiscal year 2014 was due to reducing a backlog of payments or if there was another explanation for the significant increase.

Refunds and Reimbursements – When CRS completes the determination of fault, assesses the damages, and reaches an agreement with the non-State party, a letter is sent to either the insurance company or individual responsible informing them of the amount owed the State. CRS is also responsible for collecting the amount owed. As previously stated, if the amount was not remitted after 90 days, CRS provided the necessary information to a collection agency. If the collection agency successfully collected the amount owed, 50% of the amount received was remitted to the State. However, this process has currently been suspended. If an individual is court-ordered to pay restitution, the county clerks of court collect the amount owed and remit the collections to Risk Management.

These collections, as well as revenue received from the Executive Council for 29C.20 claims, are recorded as Refunds and Reimbursements. Prior to September 2012, these collections, except a reimbursement from the Executive Council which was incorrectly recorded, were recorded as restitution. However, after the privatization of risk management services, Risk Management separated these collections into the following 3 revenue codes:

- Insurance Recovery – Insurance Companies,
- Refunds and Reimbursements, and
- Restitutions.

Insurance Recovery – Insurance Companies is used to record collections from insurance companies for subrogated claims. In fiscal year 2013, CRS received numerous subrogation checks issued to CRS. As a result, CRS had to deposit the payments received and issue a check to Risk Management. However, this process was discontinued shortly into the contract period. Currently, if CRS receives a check issued to it, CRS returns the check to the issuer and requests a new check be issued to Risk Management. The only checks still issued to Risk Management by CRS are payments for vehicles considered to be a total loss, which are to be deposited in the Depreciation Fund and used to purchase replacement vehicles.

Refunds and Reimbursements is used to record payments received from insurance companies at a later date for subrogation, as well as reimbursements from the Executive Council for 29C.20 claims. Restitutions is used to record payments received from individuals or the county clerks of court.

We reviewed the transactions recorded in these 3 revenue codes to determine whether all collections were properly recorded and, if so, to determine whether the financial activity supported increased collections of subrogation claims after the privatization of risk management services, which could indicate improved negotiation of fault or improved collection efforts.

As a result of our review, we determined reimbursements for 29C.20 claims were not consistently recorded since September 2012. In fiscal year 2012, Risk Management received $84,569 for several vehicles damaged in the same storm, which was incorrectly recorded in Insurance Recovery – Insurance Companies. Beginning in fiscal year 2013, Risk Management began recording 29C.20 reimbursements as Refunds and Reimbursements. DAS-CPFSE received $191,587.45 from the Executive Council from fiscal years 2013 through 2015. Of that amount, $159,054.37 was properly recorded in Refunds and Reimbursements. However, the remaining $32,533.08 was recorded as negative expenditures. See **Finding D**. Although submitting 29C.20 claims to the Executive Council for reimbursement does not reduce costs to the State, it does reduce costs for the Risk Management fund, which contributes to reduced insurance premiums charged to state agencies. **Table 5** summarizes total 29C.20 claims submitted for reimbursement for vehicle damage statewide and the portion recorded in the Risk Management fund for fiscal years 2010 through 2015.

Table 5

Fiscal Year	Number of Claims	Statewide 29C.20 Vehicle Claims	Recorded in Risk Management Fund
2010	10	$ 30,904.26	-
2011	4	13,847.78	-
2012	-	-	-
2013	11	14,486.34	-
2014	19	156,744.79	74,659.81
2015	11	61,842.11	61,842.11
Total	55	$ 277,825.28	136,501.92

We also identified several other inconsistencies with the collections recorded in the 3 revenue codes within Refunds and Reimbursements which made an analysis of the change to revenue after the privatization difficult to perform. See **Finding D**. The inconsistencies identified include:

- $89,990.00 and $108,926.14 received from CRS for totaled vehicles recorded in Insurance Recovery – Insurance Companies, which should have been recorded in the Depreciation Fund in fiscal years 2013 and 2014, respectively.
- $34,220.34 received for salvage sales recorded in Insurance Recovery – Insurance Companies in fiscal year 2015.
- $185.00 and $10,630.29 in restitutions received recorded in Insurance Recovery – Insurance Companies for fiscal years 2014 and 2015, respectively.
- $21,510.52 received from CRS to reimburse DAS-CPFSE for overpayments issued, duplicate payments issued, and checks which were issued for an incorrect amount for the period December 2012 through March 2015, which was properly recorded in Refunds and Reimbursements. However, the remainder of this revenue code is 29C.20 reimbursements. It is unclear why CRS activity had not been reviewed prior to March 2015.
- $17,900.00 received from CRS for totaled vehicles recorded in Restitutions, which should have been recorded in the Depreciation Fund in fiscal year 2013.

Schedule 3 summarizes the collections received in each of the 3 revenue codes within Refunds and Reimbursements, the adjustments for the unrelated revenue described above, and the change for each fiscal year. The number of inconsistencies identified made it difficult to analyze the impact the privatization of risk management services had on these collections.

<u>Salvage Sales</u> – When a vehicle is considered a total loss, the vehicle is sold as salvage. Prior to September 2012, Risk Management advertised the salvage vehicles to receive bids from local salvage companies. However, in January 2013, DAS-CPFSE began using an auction service to sell salvage vehicles during auctions held to sell other vehicles from the State's fleet. During our initial review of salvage sales revenue, it appeared the State was recovering substantially more from salvage sales after the privatization of risk management services.

However, based on a detailed examination of the supporting documentation, we determined numerous collections were improperly recorded as salvage sales. See **Finding D**. The errors identified include:

- $53,075 received from CRS for totaled vehicles which should have been recorded in the Depreciation Fund in fiscal year 2013,

- $50,120 received from CRS for totaled vehicles which should have been recorded in the Depreciation Fund in fiscal year 2014, and
- $112,615 received from CRS for totaled vehicles which should have been recorded in the Depreciation Fund and $10,250 of auction proceeds for the sale of a trailer, which was not a salvage sale in fiscal year 2015.

Table 6 summarizes the salvage sales recorded, the adjustments for the unrelated revenue described above, the adjustments for related revenue, and the change for each fiscal year.

Table 6

Fiscal Year	Salvage Sales	Less: Unrelated Revenue	Plus: Salvage Sales Not Properly Recorded	Net Salvage Sales	Dollar Change	Percent Change Increase/ (Decrease)
2010	$15,247.10	-	-	15,247.10	-	-
2011	23,859.80	-	-	23,859.80	8,612.70	56.49%
2012	17,997.30	-	-	17,997.30	(5,862.50)	(24.57)
2013	89,637.20	(53,075.00)	-	36,562.20	18,564.90	103.15
2014	90,932.94	(50,120.00)	-	40,812.94	4,250.74	11.63
2015	143,036.75	(122,865.00)	34,220.34	54,392.09	13,579.15	33.27

Overall, DAS-CPFSE is receiving more from the sale of salvage vehicles than prior to the privatization of risk management services. However, the increase in salvage sales is primarily due to the increased number of vehicles DAS-CPFSE and CRS consider total losses. During our fieldwork, current DAS-CPFSE staff stated very few vehicles were considered a total loss prior to September 2012. They further stated, prior to the privatization of risk management services, vehicles were repaired even if the cost of the repairs exceeded 50% of the vehicle's value. The DAS-CPFSE staff we worked with also stated, prior to August 2016, if a vehicle's damage exceeded 50% of the vehicle's estimated value, CRS issued a check to Risk Management for the estimated value of the vehicle and DAS-CPFSE reimbursed CRS for the claim. The vehicle was then auctioned as a salvage vehicle at a later date. They further stated this process saved the State money because previously vehicles were being repaired which should not have been.

However, during a meeting with current DAS employees at the completion of fieldwork, they stated vehicles were always totaled if damages exceeded 50% of the value. They further stated it is more beneficial to the State to salvage vehicles and purchase new because the State purchases vehicles at such a deep discount. CRS uses the book value of the vehicle to determine whether damages exceed 50%. DAS personnel then perform a cost analysis to determine the amount to be transferred from the vehicle self-insurance fund to the depreciation fund for the purchase of a new vehicle. The DAS employees at the meeting were uncertain why a different explanation had been provided to us while performing our testing procedures.

Based on our review, it does not appear the salvage process helps the State realize cost savings. For example, prior to August 2016, if a $20,000 vehicle had $11,000 in damage, CRS issued a check to the State for $20,000 to settle the claim. However, because the State is self-insured, the State then reimbursed CRS $20,000 to pay the claim. In addition, the State had to purchase a replacement vehicle, which cost $20,000 or more as the replacement was a newer vehicle. Although the totaled vehicle was sold as salvage, it was not likely the sale proceeds would total, or exceed, the cost of the replacement vehicle. As a result, rather than incur $11,000 to repair the vehicle, the State expended $20,000 or more to replace the vehicle.

Subsequent to August 2016, although CRS no longer pays claims on behalf of the State, the State has to transfer funds from the vehicle self-insurance fund to another fund to pay the claim. Therefore, the overall impact is the same as the previous example. In both scenarios, the life of the vehicle and the scheduled replacement of that vehicle should also impact the decision to repair or replace.

According to DAS-CPFSE staff, no records were maintained of the number of vehicles considered a total loss prior to September 2012. In addition, they stated any check recorded on the CRS billing log issued to the State was for a vehicle considered a total loss. Based on the CRS billing log, we identified checks issued to the State for vehicle damage totaling $167,160, $210,349, and $111,524 for fiscal years 2013, 2014, and 2015, respectively.

During our review of Risk Management revenues and the process for collection, we determined Risk Management currently has a single employee. As previously stated, a DAS-CPFSE PSE2 is assigned to Risk Management. The DAS-CPFSE PSE2 receives subrogation checks forwarded by CRS, checks issued by the county clerks of court, and checks issued by salvage companies. If there is an accident file maintained at Risk Management, the DAS-CPFSE PSE2 will note receipt of the check in the file. However, according to the DAS-CPFSE PSE2, Risk Management does not usually maintain an accident file because all relevant information is readily available through CRS' database. The DAS-CPFSE PSE2 is responsible for preparing the receipt for deposit and documenting the appropriate revenue code for recording in the State's accounting system. There are no independent records maintained of the amounts owed the State or the amounts received, and there is no independent reconciliation of the amounts received to the amounts deposited by the DAS-CPFSE PSE2. See **Finding B**.

Expenditures

As previously stated, Risk Management expenditures include administrative costs of claims processing, vehicle repairs, windshield replacements, and personal injury claims less than $200,000. We analyzed Risk Management expenditures for the period reviewed to determine if the privatization of risk management services resulted in cost savings for the State. To do this, we compared claims expenses, administrative expenses, and payroll costs prior and subsequent to the privatization. In addition, we inquired whether any cost savings were realized as a result of no longer needing the previous mainframe system used by Risk Management. According to current DAS-CPFSE personnel, Risk Management continues to maintain the previous mainframe in order to generate certain reports. However, they further stated the State avoided $300,000 to $400,000 in expenditures to purchase, install, and maintain software equivalent to the software used by Holmes Murphy. DAS-CPFSE personnel were unable to provide documentation supporting this amount.

Schedule 4 summarizes the detailed expenditures and the increase and/or decrease for Risk Management for fiscal years 2010 through 2017. The following paragraphs include a more detailed discussion of the expenditures associated with Risk Management.

To help with our analysis, we classified expenditures as payments of claims, administrative expenses, or other expenses. Administrative expenses are those which are associated with the processing of claims, including payroll, travel costs, office supplies, telephone expenses, reimbursements for technology services, and fees paid to Holmes Murphy which are not for payments on claims.

We determined both prior and subsequent to the privatization of risk management services DAS-CPFSE had a single employee assigned to Risk Management. However, prior to the privatization in 2012, the employee assigned allocated approximately 75% of his time to Risk Management, while the employee currently assigned allocates approximately 20% of her time to Risk Management. We requested supporting documentation for the allocation of the employees' time, but were told by current DAS-CPFSE staff the allocation is an estimate. According to DAS representatives, the employee reviewed her time spent daily, weekly, and monthly on average. However, no formal time studies were performed to support the estimate used. See **Finding E**.

We reviewed all claims paid to Holmes Murphy to identify all fees charged to DAS-CPFSE by CRS and Holmes Murphy. Because CRS was subcontracted by Holmes Murphy, all CRS fees are remitted to Holmes Murphy by DAS-CPFSE. As a result of this review, as previously stated, we identified an insurance premium for IPTV's satellite truck, which is paid to Holmes Murphy annually. Because this is for a separate policy and not part of the privatization of risk management services, we considered this premium to be other expenses.

Based on our review of claims, we identified the following administrative expenses issued to Holmes Murphy during our period of review:

- $15,230 for consulting services in fiscal year 2012. However, the employee assigned to Risk Management at that time is no longer employed by the State, and current DAS-CPFSE personnel were unable to provide an explanation for this expense. As a result, we included this amount in administrative expenses because it was not for payment of claims.
- $10,000 for a one-time set-up fee in fiscal year 2013.
- a quarterly administration fee of $6,250, totaling $18,750, $25,000, and $25,000 in fiscal years 2013, 2014, and 2015, respectively.
- a monthly charge from CRS based on the claims processed identified by the claim number recorded in the State's accounting system. The fees are based on the type of claim, as follows:
    - $250 for an accident involving only a State vehicle,
    - $450 for an accident involving an outside party, and
    - $900 for claims with personal injury.

  In fiscal year 2013 and a portion of fiscal year 2014, the claims fees were recorded as claims costs. However, they are currently recorded as outside services.
- a fee from CRS for desk reviews, which are performed by an outside vendor for claims exceeding a certain amount. These fees are reimbursed by DAS-CPFSE as claims. Some of these fees were recorded as other contractual services in fiscal years 2014 and 2015, but others were recorded as claims reimbursements. The fee starts at $35 and increases depending on the extent of the review.

After all administrative expenses were identified, it appeared DAS-CPFSE incurred significantly higher administrative expenses subsequent to the privatization of risk management services. According to current DAS-CPFSE staff, the administrative expenses in fiscal years 2013 and 2014 were unusually high resulting from the backlog of claims which CRS processed after the privatization. However, because sufficient supporting documentation was not maintained prior to September 2012, we were unable to verify the accuracy of this statement. **Table 7** summarizes the administrative expenses identified for fiscal years 2011 through 2015 and the change for each fiscal year.

Table 7

			Fiscal Year		
Description	**2011**	**2012**	**2013**	**2014**	**2015**
Payroll, including benefits	$ 65,635.37	73,373.58	45,001.67	19,973.74	19,849.19
In-state travel	77.18	75.57	204.96	-	145.08
Temporary staffing	1,496.88	-	-	-	-
Supplies and communications	2,812.39	1,941.44	590.74	130.31	109.57
ITE services	6,549.69	3,860.96	2,436.93	2,821.10	2,385.46
One-time set-up fee	-		10,000.00	-	-
Consulting	-	15,230.00	670.00	-	-
Per claim fee	-		109,875.00	127,550.00	80,950.00
Annual fee*	-	-	18,750.00	25,000.00	18,750.00
Desk reviews	-	-	11,647.80-	10,977.95	4,331.30
Desk reviews (not paid with claims)	-	-	-	4,580.30	4,625.35
Total	76,571.51	94,481.55	199,177.10	191,033.40	131,145.95
Dollar Change	$ -	17,910.04	104,695.55	(8,143.70)	(59,887.45)
Percent Change	-%	23.39	110.81	(4.09)	(31.35)

* - Effective January 2016, DAS contracted directly with CRS. As a result, the annual fee for Holmes Murphy would not have been incurred in fiscal years 2016 and 2017.

We also reviewed payments of claims prior and subsequent to the privatization. Based on that review, we determined prior to September 2012, payments of claims were recorded in 4 areas, as follows:

- parts claims were recorded to Auto Parts,
- labor claims were recorded to Labor-Vehicles,
- personal injury payments were recorded as Personal Injury Claims, and
- tort claims for property damage were recorded as Property Damage Claims.

Subsequent to September 2012, payments for auto glass were recorded as Auto Glass Replacement, but all other claims payments were recorded as Claims – Property Damage. In addition, DAS-CPFSE no longer documents the type of claim paid, such as personal injury, tort, or State vehicle repair. Subsequent to September 2012, we identified the following expenditures, which were recorded as payments of claims:

- administrative costs for fiscal year 2013 and a portion of fiscal year 2014,
- all desk review fees for fiscal year 2013, the majority of desk review fees for fiscal year 2014, and approximately 50% of the desk review fees for fiscal year 2015.

According to DAS-CPFSE personnel, contracting with Holmes Murphy resulted in cost savings due, in part, to negotiated pricing and the use of secondary parts to repair vehicles. However, DAS was unable to provide sufficient documentation to support this statement. Also, as previously stated, DAS-CPFSE recorded some 29C.20 reimbursements as negative expenditures in fiscal year 2014. Because we identified a number of inconsistencies in expenditures recording, we were unable to perform an accurate analysis to determine whether payments of claims have decreased subsequent to the privatization of risk management services. See **Finding F**.

During our review of claims, we also determined, on occasion, CRS settles claims for less than the $250 per claim fee. Specifically, we identified 46 claims settled for $6,051 for which DAS-CPFSE remitted a minimum of $11,500 to CRS for claims processing. See **Finding G**.

Overall Analysis

Because DAS did not prepare a cost analysis prior to entering the contract with Holmes Murphy, we attempted to perform an overall analysis to determine whether the privatization of risk management services helped the State realize cost savings. However, we determined a complete and accurate analysis was not possible, in part, for the following reasons:

- sufficient supporting documentation is not maintained in a manner to determine explanations for fluctuations in revenues and/or expenditures,
- sufficient records for financial and claims activity prior to the privatization of risk management services was not readily available, and
- revenue and expenditure transactions were inconsistently and inaccurately recorded in the State's accounting system and never corrected by DAS.

As previously stated, DAS representatives stated cost savings were realized in the following areas:

- the reduction of unnecessary repair costs as more vehicles are determined to be a total loss rather than repaired,
- the costs associated with the purchase, installation, and maintenance of upgraded software for claims processing were avoided, and
- the reduction of claims and repair costs resulting from negotiated pricing and the use of secondary parts to repair vehicles by the third-party administrator.

As a result of our procedures, we did not identify any cost savings. In addition, throughout fieldwork, DAS did not provide sufficient documentation to support any cost savings achieved. DAS-CPFSE personnel referenced a cost analysis which was prepared for risk management services. When we requested the analysis, DAS-CPFSE referred us to the Legislative Services Agency (LSA), but LSA personnel referred us to DAS. In addition, LSA personnel stated an analysis of this area was not possible due to the manner in which the financial activity and supporting documentation was recorded and maintained. See **Finding H**.

Holmes Murphy Contract

We reviewed the contract with Holmes Murphy to determine if it was awarded in accordance with State guidelines. Section 11-118.5(1) of the Iowa Administrative Code (IAC) states, in part, "When the estimated annual value of the service contract is equal to or greater than $50,000…a state agency shall use a formal competitive selection process to procure the service." Accordingly, DAS issued a Request for Proposal for insurance consulting and related risk management services for builder risk insurance and special vehicle insurance for the IPTV filming truck. The contract was subsequently awarded to Holmes Murphy through a competitive bidding process and was effective from February 1, 2012 through January 31, 2013, with 5 1-year renewal options.

After the contract was awarded to Holmes Murphy, an addendum was added in December 2012 to include third-party administration of claims for physical damage to the State's vehicle fleet in Holmes Murphy's scope of services. The Holmes Murphy contract included the $10,000 set-up fee, the $25,000 annual fee, and the per claim fee, ranging from $250 to $900 per claim previously discussed. According to a representative of DAS, the addendum for third-party administration of claims was not sent out for bid, but should have been in accordance with the IAC. See **Finding I**.

We also reviewed selected claims paid by CRS to determine if CRS was maintaining the documentation required by its contract. We examined 10 claims processed by CRS to ensure the file contained all required information, including an accident report and/or other investigatory reports, identifying information for the State vehicle, the state agency to which the vehicle was assigned, all relevant invoices, assessment of fault, contact information for the parties involved, and any relevant witness statements. Based on our review, we determined the electronic files maintained for the 10 claims selected included all required information.

In addition, we reviewed claim files prior and subsequent to the privatization of risk management services to determine if documentation required by DAS-CPFSE for claims payment was properly obtained, as applicable, including:

- a completed estimate for repairs,
- documentation of approval for repairs to be made,
- a final bill from the vendor prior to issuing payment,
- documentation any outside parties were contacted, if applicable,
- a signed release form for tort payments,
- supporting documentation for all issued payments,
- a recommendation letter sent to the Attorney General's Office,
- a release from the Attorney General's Office, and
- documentation of approval to pay the claim from the State Appeal Board.

Although these requirements are not specified in CRS' contract, DAS-CPFSE personnel stated this information is required by DAS for claims payments. We examined 37 claims filed prior to September 2012 and 40 claims filed subsequent to September 2012 and identified certain instances where required documentation was not properly obtained. See **Finding J**. The lack of documentation identified includes:

- None of the 37 claims filed prior to September 2012 contained documentation of approval for repairs to be made.
- 8 of the 37 claims filed prior to September 2012 did not contain an estimate for repairs.
- 24 of the 40 claims filed after September 2012 did not contain documentation of approval for repairs to a State vehicle.
- 15 of the 40 claims filed after September 2012 did not contain evidence of final approval to pay the claim by a DAS-CPFSE employee.
- 5 of the 11 claims filed after September 2012 which included the payment of damages to an outside party did not contain a second estimate.

Based on discussions with DAS-CPFSE personnel, little monitoring was done for claims payments issued by CRS. DAS-CPFSE did not maintain an accounts receivable listing or a list of outstanding automobile claims. In addition, they did not monitor the amounts paid and performed only a cursory review of the claims included in Holmes Murphy's reimbursement request. The DAS-CPFSE PSE2 scanned the claims files to ensure the claim was supported by an invoice and was not a duplicate claim. However, as previously stated, CRS no longer pays claims on behalf of the State effective August 2016. While CRS still reviews the claim and prepares a recommendation to repair along with a repair estimate, the DAS-CPFSE 2 approves all payments prior to processing by DAS Finance.

As previously stated, during our review of revenues, we identified a $21,510.52 reimbursement issued to the State from CRS in March 2015, which resulted from CRS personnel reconciling their payment log. The reimbursement included various overpayments made by CRS on behalf of DAS for voided checks issued between December 2012 and March 2015. The voided checks were for items such as duplicate payments, payments issued for the wrong amount, or payments issued to the wrong vendor. DAS-CPFSE authorized the issuance of the voided checks; however, a thorough review by DAS-CPFSE could have identified the invalid checks prior to issuance.

We also reviewed the audit report issued by CRS' independent auditors for the period ended June 30, 2014 and determined no findings were identified. However, the audit report included a section titled "Complementary User Entity Controls," which stated CRS' system for processing claims transactions for users was designed with the assumption certain internal controls would be implemented by the users, including, but not limited to:

- physical and logical access to computers used to access the CRS system is limited to authorized individuals,
- reports received from CRS are reviewed by appropriate personnel for completeness and accuracy on a timely basis,
- output received from CRS is reconciled to relevant control totals on a timely basis, and
- users which are stand-alone clients will evaluate claims in a periodic basis to validate standard guidelines for processing claims were followed.

Based on discussions with DAS-CPFSE personnel, CRS reports are not regularly reviewed and DAS does not have control totals in order to reconcile CRS activity. In addition, DAS does not periodically review claims processed by CRS.

Recommended Control Procedures

As part of our review, we reviewed the procedures used by Fleet Risk Management and the Central Procurement and Fleet Services Enterprise within the Department of Administrative Services to administer and process financial transactions for the State's vehicle self-insurance program. An important aspect of internal control is to establish procedures that provide accountability for assets susceptible to loss from errors or irregularities. These procedures provide the actions of one individual will act as a check on those of another and provide a level of assurance errors or irregularities will be noted within a reasonable time during the course of normal operations. Based on our findings and observations detailed below, the following recommendations are made to strengthen the State's vehicle self-insurance program and the Department of Administrative Service's internal controls.

Finding A – Claims payment

DAS-CPFSE authorized CRS to approve and pay tort claims totaling $5,000 or less on its behalf. As a result, no one from DAS-CPFSE reviewed or authorized vehicle repairs prior to payment of the claim. On a monthly basis, DAS-CPFSE reimbursed CRS for all claims paid. However, DAS-CPFSE did not regularly review reports, claims, or billings from CRS for accuracy. Section 8A.505(4) of the *Code* states, in part, DAS is "To control…all payments from the state treasury…." As previously stated, CRS no longer issues payments on behalf of the State effective August 2016.

Recommendation – DAS-CPFSE should continue to approve all vehicle repairs and claims payments processed by CRS on behalf of the State. In addition, DAS-CPFSE should ensure all claim files contain proper documentation and ensure repair recommendations prepared by CRS are sufficiently detailed and supported to allow for an independent assessment prior to approving payment.

Response – The process was changed in August 2016, removing CRS from the claims payment process and requires DAS Fleet review and approval, and necessary documentation related to repairs and claims payments. The Department believes no further action is required.

Conclusion – Response accepted.

Finding B – Segregation of duties

The DAS-CPFSE PSE2 assigned to Risk Management is responsible for collecting, recording, and depositing receipts. However, there is no independent reconciliation of the amounts received to the amounts deposited. In addition, DAS-CPFSE does not maintain a listing of accounts receivable from outside parties to monitor whether all amounts owed the State are properly remitted and deposited intact.

Recommendation – All receipts for Risk Management from CRS and other outside parties should be remitted to DAS Financial Management, who should provide a copy of the issued check and related supporting documentation to Risk Management. DAS-CPFSE should implement an accounts receivable system to monitor all amounts owed the State to ensure all amounts are properly remitted and deposited intact. An independent person should reconcile the accounts receivable listing to the collections deposited by DAS Financial Management and evidence the review with the date and initials. If applicable, Risk Management should follow-up with CRS, or the responsible outside party, to determine status of outstanding amounts on a periodic basis.

Response – The findings are, in part, incorrect. The DAS Fleet PSE2 has never collected, recorded, and deposited receipts. The employee in question has not processed a deposit document (CR) since September 8, 2008, long before the period covered by the audit. All deposits for the Department are made by DAS Finance in order to maintain the separation of duties. Further, DAS Fleet has maintained a listing of accidents involving State vehicles including work orders placed, payments made to parties making repairs, and claims filed for reimbursement. The document is used as a means of tracking both accounts payable and accounts receivable. Claims receiving payment from a third party are moved to a "closed" listing, but do not include the amount received.

In the future, the DAS Fleet will add the amounts received from third parties to the accident listing and DAS Finance will reconcile the listing quarterly to I/3.

Conclusion – Response acknowledged. During our fieldwork, the DAS Fleet PSE2 stated she received subrogation checks forwarded by CRS, checks issued by the county clerks of court, and checks issued by salvage companies. In addition, CRS personnel we spoke with stated all checks received are forwarded to the DAS-CPFSE PSE2. Although she does not prepare the deposit document (CR) or make the deposit, she stated she notes receipt of the check in the accident file, if maintained, and documents the appropriate revenue code to be used for the deposit document. During our fieldwork, we observed such notations indicating the fund and area the check should be recorded to. Because there is no independent accounts receivable listing, there is no mechanism to ensure all amounts owed the State are properly remitted and deposited intact. In addition, the DAS Fleet PSE2 stated an accident file is not usually maintained because the information is readily available through CRS' database. Our finding and subsequent recommendation are based on the information provided by the DAS Fleet PSE2 during fieldwork. If procedures were changed after our fieldwork, we have not had an opportunity to review them. As a result, the finding and recommendation remain as stated.

Finding C – Risk management premiums and reserves

Risk Management calculates the monthly premium to be charged all state agencies on an annual basis. The monthly premium is determined by estimating payments of claims and dividing that estimate by the number of vehicles in the State's fleet. According to current DAS-CPFSE personnel, the monthly premium charged was established at a level to ensure a $1 million reserve was maintained in the vehicle self-insurance fund through fiscal year 2016. Effective fiscal year 2017, the target reserve was decreased to $250,000. Based on our review, the monthly premium charged to all state agencies has remained the same for the period July 1, 2011 through June 30, 2017. We also determined the Risk Management fund balance totaled $417,547 at June 30, 2015, which is significantly less than the $1 million reserve DAS-CPFSE intended to maintain. In addition, DAS-CPFSE was unable to provide sufficient supporting documentation for the number of vehicles used in the calculation of the monthly premium.

Recommendation – DAS-CPFSE should ensure sufficient supporting documentation is maintained for the calculation of the monthly premium. In addition, DAS-CPFSE should continue to periodically review the target fund balance to ensure the amount established is reasonable. Supporting documentation should be maintained of the analysis performed and determination of the expected reserve level. After the reserve amount is established, the monthly premiums charged to all state agencies should be reviewed and set at a level to ensure the established reserve is maintained.

Response – The Department is unable to validate some of the statements contained in the finding due to the amount of time that has passed since the inception of this audit in 2011. The monthly premium charged to agencies has remained unchanged through June 30, 2018, rather than through June 30, 2017 as stated in the finding.

The Department is unable to discern when the Auditor's Office examined the rate calculation and determined supporting documentation was not available. Rate determinations are calculated three years prior to implementation. For the determination of FY2014 rates, calculated in 2011, DAS Fleet may not have maintained supporting documentation. Nevertheless, DAS Fleet's mainframe vehicle inventory and depreciation system data was used to determine rates and billings to agencies. Since the FY2015 rate determination, DAS Fleet has maintained sufficient supporting documentation including vehicle data by agency. The FY2015 rate calculation was determined using FY2012 data downloaded from the mainframe vehicle inventory and depreciation system. The process using the data download is still in place.

The Auditor's finding points to a fund balance as of June 30, 2015, of $417,547. While the fund balance was below the $1 million reserve, the I/3 system reflects the cash basis fund balance was $659,357, significantly higher than the amount identified by the Auditor's Office. The fund reserve policy was reviewed by the Director in June 2016 and reduced fund balance assumption to the 60 day working balance. The Department annually reviews the rate and the 60 day working balance and believes the recommendation has already been addressed.

Conclusion – Response acknowledged. It is not clear what statements the Department attempted to validate. However, all information included in the report is based on statements and supporting documentation received directly from DAS throughout the course of our fieldwork. In addition, while the period covered by this review began with July 1, 2009, the review itself did not begin in 2011. We are unclear why DAS has stated the review began in 2011. Fieldwork began in February 2015, and we worked on the review periodically based on staff availability. Also, the finding does not address the monthly premium charged through June 30, 2018 because the period covered by the review ends with June 30, 2017.

We examined the rate calculations for the period July 1, 2009 through June 30, 2017, which is the specified period of the review. During our fieldwork, DAS-CPFSE personnel stated the rate calculation for the period July 1, 2009 through June 30, 2013 was based, in part, on the number of vehicles in the State's fleet as of a certain date. However, DAS was unable to provide sufficient supporting documentation for the number of vehicles used in the rate calculations for those fiscal years. Although DAS' response indicates the number of vehicles was obtained from the mainframe vehicle inventory and depreciation system for the fiscal year 2015 rate calculation, we were told during our fieldwork that DAS no longer utilized the number of vehicles in the State's fleet effective with fiscal year 2014. Rather, the rate calculation was based on 5-year historical data.

The $417,547 fund balance identified in the finding is the fund balance reported by the State's Comprehensive Annual Financial Report (CAFR) for fiscal year 2015. The financial statements reported in the State's CAFR are prepared in accordance with U.S. generally accepted accounting principles and not on the cash basis of accounting. As a result, the fund balance reported in the State's CAFR cannot be compared to the cash basis fund balance. To properly assess the financial stability of a fund, it is important to factor in the effects of accruals, such as accounts payable and accounts receivable.

Finding D – Revenues

During our review of Risk Management revenues, we identified several instances where revenues were not properly recorded for the period reviewed, which made an analysis of the impact of the privatization difficult, including:

- The reimbursement received from IPTV was recorded as an insurance deductible in fiscal year 2010, as a reimbursement of a deductible to a state agency in fiscal year 2011, and as insurance premium revenue in fiscal years 2012 through 2015. However, none of these revenue codes are the proper code to be used for the IPTV reimbursement.
- Reimbursements from Other State Agencies, which is used to record the refund of deductibles to state agencies, also included immaterial tax offset amounts, 29C.20 reimbursements, payments received for the defensive driving course, and insurance deductibles remitted to Risk Management.
- $198,916.44 of payments received from CRS for totaled vehicles were recorded in Insurance Recovery – Insurance Companies rather than the Depreciation Fund.
- $215,810.00 of payments received from CRS for totaled vehicles were recorded in Salvage Sales rather than the Depreciation Fund.
- $34,220.34 of salvage sales were recorded in Insurance Recovery – Insurance Companies rather than Salvage Sales.
- $32,533.08 of reimbursements from the Executive Council for 29C.20 claims were recorded as negative expenditures.
- $17,900.00 of payments received from CRS for totaled vehicles were recorded in Restitutions rather than the Depreciation Fund.
- $10,815.29 of restitutions were recorded in Insurance Recovery – Insurance Companies rather than Restitutions.
- $10,250.00 of auction proceeds for the sale of a trailer, which was not a salvage sale, recorded in Salvage Sales in fiscal year 2015.

In addition, we determined DAS-CPFSE received $21,510.52 from CRS for overpayments issued, duplicate payments issued, and checks were issued for an incorrect amount in March 2015 for the period December 2012 through March 2015. It is unclear why CRS activity had not been reviewed prior to March 2015.

Recommendation – DAS-CPFSE should establish procedures to ensure all receipts are properly recorded. In addition, as previously stated, DAS-CPFSE should review the monthly billings received from CRS to ensure accuracy of the payments.

Response – Given the significant length of time since the inception of this audit and without documents or working papers to review from the Auditor's Office, the Department is not able to respond to the revenue source codes used. The Department of Administrative Services follows its records retention schedule and no longer has many of the documents associated with IPTV special vehicle insurance. The inconsistency in usage of revenue sources during the period fiscal years 2010 through 2015 is noted. The Department believes the discrepancy has been corrected. However, a reimbursement of prepaid insurance for another agency is appropriately recorded as Vehicle Dispatcher Insurance revenue to the Self Insurance fund.

The State Auditor noted reimbursements from other agencies recorded to intrastate reimbursements. It is appropriate to record miscellaneous reimbursements from other state agencies and tax offset amounts and 29C.20 reimbursements associated with insurance recovery, and agency payments offsetting the costs of the defensive driving course to the intrastate reimbursements revenue class. Revenue source Reimbursements from Other State Agencies (0285) is utilized for miscellaneous reimbursements and should not be assumed to be exclusive to the recording refunds of deductibles from other agencies.

The Auditor's Office noted payments received from CRS totaling $216,816.14 as insurance recovery, and $215,810.00 as salvage sales were recorded improperly. Insurance recovery and salvage sales revenue are properly attributed to the Self Insurance program and provide an audit trail regarding the origin of revenue. When a claim has been filed, the Self Insurance Fund first makes the agency whole prior to seeking subrogation from third parties. The claim is settled by making a transfer from the Self Insurance Fund into the Depreciation Fund to reimburse the agency for the loss. In instances where subrogation results in a recovery from the third party, the proceeds become revenue to the Self Insurance Fund. To our knowledge the process has always been followed.

The Auditor's office noted $32,533.08 in 29C.20 reimbursements were recorded as negative expenditures. All documents related to 29C.20 reimbursements are processed by the State Treasurer's Office. The Department has reviewed 29C.20 reimbursements since FY2015 and has not discovered further expenditure reductions. The Department will discuss this with the Treasurer's Office.

<u>Conclusion</u> – Response acknowledged. In accordance with section 11.42 of the *Code of Iowa*, our workpapers are to be maintained as confidential. As a result, we were unable to provide copies of our workpapers to DAS personnel at the time the findings were provided. However, upon DAS' request, we provided detailed spreadsheets including all information reviewed during the course of our fieldwork. As a result, DAS personnel had the transaction numbers and revenue source codes for all amounts included in the finding. Although the physical documents for the earlier period of the review may have been destroyed in accordance with the records retention schedule, all information was also recorded on the State's accounting system, which is where we obtained our information. It is unclear why DAS is unable to respond.

Overall, as stated throughout the report, several inconsistencies were identified with revenue coding. Had revenues received been recorded consistently, our analysis may have been affected. In addition, during our fieldwork, the discrepancies identified were discussed with DAS personnel, and no additional explanations or reasons for the inconsistencies identified were provided. For those revenues identified as not related to risk management, such as the IPTV reimbursement, defensive driving, and salvage sales, the DAS personnel we spoke with during our fieldwork stated those revenues should not be included in risk management. As illustrated by **Appendix A**, we were provided an e-mail stating defensive driving should be recorded in a fund other than Risk Management. It is unclear why DAS officials are now providing contradictory information. The finding and recommendation was based on the documentation and other information provided by DAS personnel during our fieldwork and will remain as stated.

We concur with DAS' response regarding the 29C.20 reimbursements recorded as negative expenditures.

Finding E – Payroll allocation

Both prior and subsequent to the privatization of risk management services DAS-CPFSE had a single employee assigned to Risk Management. Prior to the privatization, the employee assigned allocated approximately 75% of his time to Risk Management, and subsequent to the privatization, the employee assigned allocates approximately 20% of her time to Risk Management. We requested supporting documentation for the allocation of the employees' time, but were told by current DAS-CPFSE staff the allocation is an estimate.

Recommendation – DAS-CPFSE should develop a formal method to allocate employee time to Risk Management and maintain supporting documentation for the allocation.

Response – The options to develop documentation supporting the allocation of time would be to conduct a costly time study, or a time consuming and tedious recording of actual time spent on multiple programs. The allocation of staff time utilized is based on an individual appraisal of time expended on specific programs and is the best information on which to estimate the allocation of time. This time allocation is reviewed periodically throughout the fiscal year and when preparing budgets for upcoming fiscal years.

Conclusion – Response acknowledged. Time studies are a common method used to determine time allocation. Such a time study does not have to be a time consuming or tedious process. Supporting documentation should be maintained for any time studies or estimates used for allocation of an employee's salary.

Finding F – Expenditures

Prior to September 2012, payments of claims were recorded in 4 areas. However, subsequent to the privatization of risk management services, administrative expenses and payments of claims were recorded as Claims – Property Damage. In addition, DAS-CPFSE no longer documents the type of claim paid, such as personal injury, tort, or State vehicle repair. As a result, we were unable to determine whether expenditures were reduced subsequent to the privatization of risk management services.

Also, prior to September 2012, 29C.20 reimbursements were recorded as restitution. Subsequent to the privatization, these revenues were to be recorded as Refunds and Reimbursements. However, as previously stated, we determined DAS-CPFSE recorded $32,533.08 of 29C.20 reimbursements received as negative expenditures in fiscal year 2014.

Recommendation – DAS-CPFSE should establish procedures to ensure all expenditures are properly recorded.

Response – During the third party administrator engagement period the department should have coded expenditures to class outside services (406), instead of claims (601). Regardless, the failure to code the expenditures to tort, property damage, or personal injury did not prevent the ability to determine whether the expenditures were reduced or increased during the examination. The value and incidence of claims vary from year-to-year, as do other underlying factors. This would have a more direct correlation to changes in expenditures of the program than changes in the utilization of object codes.

See the Department's response to Finding D with regard to the treatment of 29C.20 reimbursements.

Conclusion – Response acknowledged. While we concur there are other factors which impact payment of insurance claims, the inconsistent recording of expenditures and the aggregation of certain information impacted our ability to ensure our analysis was based on comparable information.

As previously stated, we concur with DAS' response regarding the 29C.20 reimbursements recorded as negative expenditures.

Finding G – Administrative fees

DAS-CPFSE remits a $250 administrative fee for each claim paid by CRS. We determined, on occasion, CRS settles claims for less than the amount of this fee. Specifically, we identified 46 claims settled for $6,051 for which DAS-CPFSE remitted a minimum $11,500 to CRS for claims processing.

Recommendation – DAS-CPFSE should consider settling claims less than $250 without using the third-party administrator to reduce the costs of settling immaterial claims.

Response – Per the terms of the contract, as outlined in the Service Schedule, the fee for an Auto Physical Damage Inspection was $250 per claim, regardless of the total cost of the claim. The DAS Fleet personnel, both during the time of the audit review and subsequent to the audit review, make an effort to avoid processing any physical damage claims that appear to be less than $500 (the amount of the deductible an agency pays per accident). However, repairs originally estimated to be greater than $500 occasionally result in a repair costing less than $500 and have already been reported through CRS. In such cases, DAS Fleet is required to pay the inspection fee of $250. The Department believes no further action is required.

Conclusion – Response acknowledged. DAS Fleet personnel should continue to review physical damage claims less than $500 to avoid incurring fees which could total more than the claim.

Finding H – Cost analysis

DAS did not prepare a cost analysis prior to entering the contract with Holmes Murphy. Although we attempted to perform an overall analysis to determine whether the privatization of risk management services resulted in cost savings for the State, we determined a complete and accurate analysis was not possible due to a lack of supporting documentation, availability of records prior to the privatization, and inconsistent recording of revenues and expenditures in the State's accounting system. In addition, DAS did not perform a cost analysis after the privatization of the vehicle self-insurance fund to determine whether cost savings were achieved, and DAS was unable to provide sufficient documentation to support any cost savings achieved.

Recommendation – Should a significant process change or privatization of an area or operations be considered in the future, DAS should implement procedures to ensure a cost analysis is performed prior to taking action to determine whether the proposed change will be cost effective and after the proposed change to ensure any projected cost savings were achieved.

Response – Throughout the findings and recommendations included in the report, the Auditor's Office has referred to the Holmes Murphy and CRS as a privatization effort. This arrangement was a third party administrator effort and was entered into by previous DAS administration. The current administration reviews changes in the delivery of services by the Department for cost effectiveness.

Conclusion – Response acknowledged. Contracting with a third party administrator to provide services which were previously provided by public employees is considered privatization, which is why we have referred to this effort as such. The current DAS administration should ensure supporting documentation is maintained for cost-benefit analyses performed.

Finding I – Contracting procedures

DAS issued a Request for Proposal for insurance consulting and related risk management services for builder risk insurance and special vehicle insurance for the IPTV filming truck. The contract was subsequently awarded to Holmes Murphy through a competitive bidding process. After the contract was awarded, an addendum was added in December 2012 to include third-party administration of claims for physical damage to the State's vehicle fleet in Holmes Murphy's scope of services. According to a representative of DAS, the addendum was not sent out for bid, but should have been in accordance with the IAC.

Recommendation – DAS should implement procedures to ensure established contracting procedures are complied with.

Response – The addendum to the Holmes Murphy contract was arranged under the previous DAS administration and the current administration cannot speak to the methodology employed. The current administration strictly follows the Iowa Administrative Code and Department policies and procedures related to procurement.

Conclusion – Response accepted.

Finding J – Supporting documentation

DAS-CPFSE established procedures requiring certain supporting documentation be maintained in all claims files. We examined 37 claims filed prior to September 2012 and 40 claims filed subsequent to September 2012 and identified certain instances where required documentation was not properly obtained, as follows:

- 25 of the 37 claims filed prior to September 2012 contained documentation of approval for repairs to be made.
- 8 of the 37 claims filed prior to September 2012 did not contain an estimate for repairs.
- 24 of the 40 claims filed after September 2012 did not contain documentation of approval for repairs to a State vehicle.
- 15 of the 40 claims filed after September 2012 did not contain evidence of final approval to pay the claim by a DAS-CPFSE employee.
- 5 of the 11 claims filed after September 2012 which included the payment of damages to an outside party did not contain a second estimate.

Recommendation – DAS-CPFSE should implement procedures to review all claims files to ensure required documentation has been properly obtained and included. This review should be evidenced by the initials of the reviewer and the date of the review.

Response – The 77 claims noted in the finding were not available for review by the Department due to the length of time since the claims were examined by the Auditor's Office and the Department's records retention policy. The Department requested a copy of these claims from the Auditor's Office; however, the claims were not provided.

As mentioned in responses to other recommendations, CRS has not been involved in the payment or repairs since August 2016. The DAS Fleet's current procedure requires that all claims paid are reviewed for accuracy, including necessary documentation and the name and date of approval of each payment. The Department previously implemented the recommendation noted by the Auditor and no further action is required.

Conclusion – Response acknowledged. As previously stated, in accordance with section 11.42 of the *Code of Iowa*, our workpapers are to be maintained as confidential. As a result, we were unable to provide copies of our workpapers to DAS personnel at the time the findings were provided. However, upon DAS' request, we provided a detailed spreadsheet including the claim number of the claims tested. Because the claims tested were DAS documents, it is not clear why those claims were expected to be maintained in the Office of Auditor of State's records. In addition, the claims filed after September 2012 were obtained and reviewed electronically. The DAS-CPFSE PSE2 provided us access to the CRS system so we could review the claims. All documentation was maintained electronically. The DAS-CPFSE PSE2 stated this was a benefit of the CRS system which allows DAS to not maintain hard copy records. With the claim numbers, DAS should have had the same access as our auditors. During our fieldwork, the findings identified were discussed with the DAS-CPFSE PSE2 responsible for risk management, and no additional information was provided.

DAS should continue to ensure all claim files are reviewed to ensure required documentation has been properly obtained and included. This review should be evidenced by the initials of the reviewer and the date of the review.

Report on a Review of the
Privatization of the State's Risk Management Program
Administered by the Department of Administrative Services

Staff

This review was conducted by:

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Jennifer L. Wall, CPA, Manager
Karen J. Kibbe, Senior Auditor II
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Premnarayan Gobin, Staff Auditor

Tamera S Kusian

Tamera S. Kusian, CPA
Deputy Auditor of State

Schedules

Revenues and Expenditures by Fiscal Year

Revenue and Expenditure Class per the State's Accounting System	Fiscal 2010	2011	2012
Intra-State Reimbursements	$ 1,073,816.15	1,149,173.51	1,073,792.82
Refunds & Reimbursements	150,933.37	123,104.43	181,958.74
Sale of Equipment & Salvage	15,247.10	23,859.80	17,997.30
Revenues total	1,239,996.62	1,296,137.74	1,273,748.86
Personal Services	131,306.11	65,635.37	73,373.58
In State Travel	-	77.18	75.57
State Vehicle Operation	571,514.11	506,207.31	748,462.32
State Vehicle Depreciation	115,172.70	122,322.80	131,718.50
Office Supplies	1,822.30	1,398.18	957.52
Printing & Binding	406.76	85.50	81.00
Postage	448.13	345.52	356.50
Communications	949.69	983.19	546.42
Rentals	-	-	-
Prof & Scientific Services	23,183.01	9,241.51	19,374.96
Outside Services	3,034.73	3,329.40	1,785.00
Attorney General Reimbursement	30,000.00	30,000.00	30,000.00
Auditor of State Reimbursement	10,196.60	7,149.76	9,075.39
Reimbursements to Other Agency	4,588.38	3,962.34	1,560.37
ITD Reimbursements	5,554.69	6,549.69	3,860.96
Intra Agency Reimbursement	92,389.72	81,904.70	148,937.79
Claims	367,127.02	55,808.24	155,042.68
Other Expenses & Obligations	-	-	-
Refunds - Other	-	667.54	-
Equipment-Non Inventory	-	-	-
Expenditures total	$ 1,357,693.95	895,668.23	1,325,208.56

Year				
2013	**2014**	**2015**	**2016**	**2017**
1,007,399.26	956,726.87	948,018.87	942,852.44	937,495.52
230,078.27	429,439.72	262,616.00	217,029.73	304,191.74
89,637.20	90,932.94	143,036.75	101,502.24	75,078.24
1,327,114.73	1,477,099.53	1,353,671.62	1,261,384.41	1,316,765.50
45,001.67	19,973.74	19,849.19	21,178.31	22,768.73
204.96	-	145.08	-	-
160,802.16	58,765.85	57,434.45	47,871.51	75,294.19
165,803.50	192,316.44	129,135.00	197,142.21	165,030.94
51.50	-	-	-	-
112.50	-	-	-	-
223.69	130.31	109.57	196.69	262.73
203.05	-	-	-	-
-	-	250.00	-	-
4,990.88	24,739.58	15,253.59	18,403.66	4,389.71
48,001.00	142,001.25	113,262.35	145,717.07	98,230.00
30,000.00	33,126.69	33,578.52	33,795.60	30,132.39
11,828.98	8,960.27	8,000.46	31,317.44	13,841.39
11,361.81	1,537.36	2,806.35	91.73	1,962.20
2,436.93	2,821.10	2,385.46	2,501.95	2,284.93
133,265.08	82,306.77	50,500.55	-	24,270.93
1,182,572.01	1,071,517.33	854,976.10	915,730.01	945,589.80
125.00	62.50	-	-	-
875.09	-	-	-	-
-	-	-	-	2,660.00
1,797,859.81	1,638,259.19	1,287,686.67	1,413,946.18	1,386,717.94

Detailed Revenues by Class by source Code by Fiscal Year

Revenue by Class by Source per the State's Accounting System			Fiscal	
		2010	2011	2012
Intra-State Reimbursements:				
Ins Deductables From State Agy	$	210,900.42	176,483.66	198,012.13
Reim From Other State Agencies		(26,187.18)	1,059.40	(13,300.97)
Vehicle Disp Insurance		889,102.91	971,630.45	889,081.66
Intra Agency Reimbursements		-	-	-
Refunds & Reimbursements:				
Insurance Recovery-Ins Company		-	-	84,569.32
Refunds & Reimbursements		-	-	-
Restitutions		150,933.37	123,104.43	97,389.42
Sale of Equipment & Salvage:				
Salvage Sales		15,247.10	23,859.80	17,997.30
Total		1,239,996.62	1,296,137.74	1,273,748.86
Increase/(Decrease) from prior fiscal year	$	-	56,141.12	(22,388.88)
Percentage change from prior fiscal year		-	4.53%	-1.73%

Year				
2013	**2014**	**2015**	**2016**	**2017**
175,219.08	163,665.36	142,815.79	135,974.54	150,021.82
(21,551.04)	(40,683.94)	(28,036.60)	(14,247.19)	(25,654.98)
853,731.22	833,745.45	833,239.68	819,792.12	811,425.51
-	-	-	1,332.97	1,703.17
158,259.91	350,257.70	131,491.87	148,436.95	95,922.73
3,178.59	61,790.82	115,595.48	57,921.72	203,243.74
68,639.77	17,391.20	15,528.65	10,671.06	5,025.27
89,637.20	90,932.94	143,036.75	101,502.24	75,078.24
1,327,114.73	1,477,099.53	1,353,671.62	1,261,384.41	1,316,765.50
53,365.87	149,984.80	(123,427.91)	(92,287.21)	55,381.09
4.19%	11.30%	-8.36%	-6.82%	4.39%

Detailed Refunds and Reimbursements and the Related Dollar and Percent Change by Fiscal Year

Insurance Recovery - Insurance Companies

Fiscal Year	Recorded Collections	Less: Unrelated Revenue	Net Collections	Dollar Change	Percent Change
2010	$ -	-	-	-	-
2011	-	-	-	-	-
2012	84,569.32	(84,569.32)	-	-	-
2013	158,259.91	(89,990.00)	68,269.91	68,269.91	100.00%
2014	350,257.70	(109,111.14)	241,146.56	172,876.65	253.23%
2015	131,491.87	(44,850.63)	86,641.24	(154,505.32)	-64.07%
Total	$ 724,578.80	(328,521.09)	396,057.71		

Restitutions

Fiscal Year	Recorded Collections	Less: Unrelated Revenue	Net Collections	Dollar Change	Percent Change
2010	$ 150,933.37	-	150,933.37	-	-
2011	123,104.43	-	123,104.43	(27,828.94)	-18.44%
2012	97,389.42	-	97,389.42	(25,715.01)	-20.89%
2013	68,639.77	(17,900.00)	50,739.77	(46,649.65)	-47.90%
2014	17,391.20	-	17,391.20	(33,348.57)	-65.72%
2015	15,528.65		15,528.65	(1,862.55)	-10.71%
Total	$ 472,986.84	(17,900.00)	455,086.84		

Refunds and Reimbursements

Recorded Collections	Less: Unrelated Revenue	Net Collections	Dollar Change	Percent Change
$ -	-	-	-	-
-	-	-	-	-
-	-	-	-	-
3,178.59	-	3,178.59	3,178.59	100.00%
61,790.82	-	61,790.82	58,612.23	1843.97%
115,595.48	(21,510.52)	94,084.96	32,294.14	52.26%
$ 180,564.89	(21,510.52)	159,054.37		

Detailed Expenditures by Class by Fiscal Year

Expenditures by Class per the State's Accounting System		Fiscal	
	2010	2011	2012
Personal Services	$ 131,306.11	65,635.37	73,373.58
In State Travel	-	77.18	75.57
State Vehicle Operation	571,514.11	506,207.31	748,462.32
State Vehicle Depreciation	115,172.70	122,322.80	131,718.50
Office Supplies	1,822.30	1,398.18	957.52
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Claims	367,127.02	55,808.24	155,042.68
Other Expenses & Obligations	-	-	-
Refunds - Other	-	667.54	-
Equipment-Non Inventory	-	-	-
	1,357,693.95	895,668.23	1,325,208.56
Increase/(Decrease) from prior fiscal year	$ -	(462,025.72)	429,540.33
Percentage change from prior fiscal year	-	-34.03%	47.96%

Year				
2013	**2014**	**2015**	**2016**	**2017**
45,001.67	19,973.74	19,849.19	21,178.31	22,768.73
204.96	-	145.08	-	-
160,802.16	58,765.85	57,434.45	47,871.51	75,294.19
165,803.50	192,316.44	129,135.00	197,142.21	165,030.94
51.50	-	-	-	-
112.50	-	-	-	-
223.69	130.31	109.57	196.69	262.73
203.05	-	-	-	-
-	-	250.00	-	-
4,990.88	24,739.58	15,253.59	18,403.66	4,389.71
48,001.00	142,001.25	113,262.35	145,717.07	98,230.00
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11,828.98	8,960.27	8,000.46	31,317.44	13,841.39
11,361.81	1,537.36	2,806.35	91.73	1,962.20
2,436.93	2,821.10	2,385.46	2,501.95	2,284.93
133,265.08	82,306.77	50,500.55	-	24,270.93
1,182,572.01	1,071,517.33	854,976.10	915,730.01	945,589.80
125.00	62.50	-	-	-
875.09	-	-	-	-
-	-	-	-	2,660.00
1,797,859.81	1,638,259.19	1,287,686.67	1,413,946.18	1,386,717.94
472,651.25	(159,600.62)	(350,572.52)	126,259.51	(27,228.24)
35.67%	-8.88%	-21.40%	9.81%	-1.93%

Appendix

Report on a Review of the
Privatization of the State's Risk Management Program
Administered by the Department of Administrative Services

Copy of a DAS E-mail Regarding Defensive Driving

Karen Kibbe - FW: Driving School

From: "Sterk, Julie [DAS]" [redacted]
To: "Kibbe, Karen [AOS]" [redacted]
Date: 6/11/2015 10:14 AM
Subject: FW: Driving School

See response below, let me know if you have questions

Julie Sterk, CPA, CPM, Executive Officer IV
Dept. of Administrative Services
Hoover Building, 3rd Floor
[redacted]

DAS Iowa Department of Administrative Services
Service • Efficiency • Value

BE GRE
Please conside ironment before printing this email

From: Lag ·, Randall [DAS]
Sent: Wed ·, June 10, 2015 1:51 PM
To: Sterk, · AS]
Subject: R ·ing School

Motor Pool fund 664, not Risk receives a bill from the Iowa/Illinois Safety Council (the sponsor of the driving school) containing the class dates and attendance records of participants. DAS - Motor Pool pays the invoice from Iowa/Illinois Safety Council. The participants department is billed through the eDAS system and this is received as revenue in Motor Pool. This is a pass-throu

Thanks
Randy

Randy Lagerblade
Chief Financial Officer - Procurement &
Pcard Program Analyst

[redacted] 6/11/2015