

**DIVISION OF RISK MANAGEMENT  
TRANSITION REVIEW**

**SPECIAL REPORT  
JANUARY 2001**



January 30, 2001

The Honorable James S. Gilmore, III  
Governor of Virginia  
State Capital  
Richmond, Virginia

The Honorable Vincent F. Callahan, Jr.  
Chairman, Joint Legislative Audit  
and Review Commission  
General Assembly Building  
Richmond, Virginia

### **SPECIAL REVIEW**

We have reviewed the process of transferring the funds from the Department of General Services' Division of Risk Management to the Departments of Treasury and Human Resource Management to determine that each agency met its responsibilities as outlined in the Memorandum of Understanding covering the transfer, signed July 5, 2000.

### **Review Objectives, Scope, and Methodology**

We had two objectives for reviewing the transfer of Risk Management. The first objective determined the accuracy and reliability of information transferred from General Services to the Departments of Treasury and Human Resource Management. The second objective determined that all parties completed their required actions within the Memorandum of Understanding.

We reviewed all items covering either financial reporting or internal control issues addressed by the Memorandum of Understanding. In performing this review, we conducted interviews with key personnel at each agency. We confirmed that the agencies received the required information in a timely manner and compared the transferred information to its source documentation to verify its accuracy and reliability.

### **Background Information**

Since its inception, the Division of Risk Management, under the Department of General Services, has provided state insurance protection to employees, properties, and various participating local governments through a variety of insurance programs. The programs include worker's compensation, property, motor vehicle, public liability, employee blanket surety bonds, medical malpractice, and similar liability insurance for local governments and constitutional officers. Some programs are self-insured and some use insurance companies. As of July 1, 2000, the administrative responsibility for the worker's compensation insurance program transferred to the Department of Human Resource Management and the responsibility for the remaining programs transferred to the Department of the Treasury.

All of the agencies involved in the transfer signed a Memorandum of Understanding outlining the responsibilities of each agency. It covered two main areas: fiscal responsibilities and information systems. Under the fiscal responsibilities section, the Memorandum of Understanding addressed the following items:

- The transfer of Risk Management personnel and personnel files from General Services to their respective agencies and the return of those individuals' small purchase and American express travel charge cards and parking passes.
- The transfer of work papers, supporting financial statement preparation schedules and files for all year-end financial statements applicable to Risk Management funds, as well as copies of all information provided to the actuary.
- The management of accounts payable documentation and payments during the transition process and their subsequent transfer.
- The transfer of all Risk Management procurements in progress and existing contracts.
- The remittance of premium payments for insurance after June 30, 2000.
- The transfer of accounts receivable supporting documentation, aging reports, listings of support for receivables transferred to the Department of Taxation, Attorney General's Office, or private collection agencies, and support for any write-off recoveries made after June 30, 2000.
- The transfer of reconciliations and supporting work papers for Imprest Cash and Petty Cash Accounts, as well as the cutting off of disbursements from these funds by General Services.
- The transfer of fixed assets.
- The notification to the Department of Accounts of the CARS fund detail(s) to which they need access as of July 1, 2000, as well as the actual transfer of that access by the Department of Accounts.

The information systems services section primarily addressed concerns regarding the removal of Risk Management employees' access to various General Services systems.

### **Results**

We found that General Services transferred all required information timely, accurately, and reliably, and all parties addressed the internal control issues outlined within the Memorandum of Understanding. As discussed in our report on General Services, dated January 19, 2001, the financial staffs of the Departments of Treasury and Human Resource Management may need to obtain an additional understanding of General Services' financial statement work papers. We would recommend that Treasury and Human Resource Management's financial staffs conduct their review before beginning financial statement preparation for the year ending June 30, 2001.

The Memorandum of Understanding also provided for the reimbursement of General Services for financial support relating to Risk Management and its transfer provided after June 30, 2000. As of the date of this report, DGS has yet to accumulate the necessary support to request this reimbursement.

AUDITOR OF PUBLIC ACCOUNTS

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