

**DISTRICT** 2018 Audit Programs

June 30, 2018

**INSURANCE AND SELF-INSURANCE**

<b>PROCEDURE</b>	<b>OBJ.</b>	<b>DONE BY</b>	<b>W/P REF</b>	<b>N/A</b>	<b>REMARKS</b>
<b>Audit Objectives and Related Assertions:</b>					
<b>A. Claims paid in the period are recorded correctly as to account, amount and period and are disbursed in accordance with the District's policies and procedures for claims settlement. (5,6,7,8)</b>					
<b>B. Reserves for claim losses represent a reasonable estimate of the District's liability for claims filed and incurred but not reported (IBNR) claims. (1,2,3,4)</b>					
<b>C. Insurance (self-insurance) revenues, transfers, expenditures, assets, liabilities, and fund equity (net position) are properly classified and described in the fund financial statements and related disclosures are adequate. (9,10,11,12,13)</b>					
<b>Audit Procedures:</b>					
A. Inquire about the District's policies and procedures for administering and financing insurance claims, including whether insurance policies are carried for complete coverage of some or all risks, or only for excess liabilities.					
B. Prepare a workpaper to summarize amount and type of significant coverage. Review coverage to:	C				
1. Determine if reasonable and current.					
2. Determine significant areas in which risk is retained.					
C. If a separate insurance fund has been established, consider analytical procedures, such as comparing claims disbursements/expenditures and other fund transactions (i.e. employee contributions, insurance premiums and administrative fees) to the prior period actual and relate to the number of covered employees (if applicable).	A				
D. Review charges by the insurance fund to other funds and determine if they are in accordance with GASB 10 (GASB Codification Section C50.122-126):	A				
1. If a Governmental Fund is used, may use any method to allocate loss expenditures/expenses to other funds of the District. Transactions constituting reimbursements of the Governmental Fund for disbursements/expenditures/expenses initially made from it which are properly applicable to another fund should be reported as expenditures or expenses in the reimbursing fund and as reductions of the disbursements/expenditure/expense in the Governmental Fund.					

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<p>2. If an Internal Service Fund is used, may use any basis considered appropriate to charge other funds as long as the total charge is either calculated in accordance with the criteria of GASB Codification, Section C50.110-114 or is based on an actuarial method or historical cost information and adjusted over a reasonable period of time. If latter method is used (actuarial method or historical cost information method), an additional charge may be made to other funds which represents a reasonable provision for expected future catastrophic losses. Charges (billings) should be recognized as revenue by the internal service fund and as expenditures/expenses by the other funds.</p> <p>3. For either the General Fund, a Special Revenue Fund or an Internal Service Fund, billings in excess of the accrual should be accounted for as transfers.</p> <p>E. Review estimates of losses from claims with a responsible official and determine if properly recorded as an disbursement/expenditure/expense and liability. Estimates should include:</p> <p>1. Reported claims meeting the criteria of GASB Codification, Section C50.110-118.</p> <p>2. Incurred but not reported (IBNR) claims meeting the criteria of GASB Codification, Section C50.113-114. Determine the basis used to estimate IBNR claims is reasonable.</p> <p>3. If the District participates in a public entity risk pool and is subject to a supplemental premium assessment, an accrual should be made if the likelihood of such assessment meet the criteria of GASB Codification, Section C50.132.</p> <p>4. If the District participates in a public entity risk pool but is not subject to a supplemental premium assessment, review economic viability of pool with responsible official and determine if liability should be recorded based on certain conditions.</p> <p>5. If the District participates in a public entity risk pool, inquire of a responsible official about the District's plans for continuing its participation in the pool. If the District has plans to terminate its membership, determine if additional liabilities should be recorded based on terms of the agreement to participate.</p>	B				

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F. If the District has a self-funded health insurance plan, including self-funded deductibles, examine the actuarial report to determine the reasonableness of reserves and determine if an additional liability should be recorded in the District's financial statements.	B				
G. If an outside administrator or service company is used:	A,B				
1. Obtain a copy of the annual report on the status of the program.					
2. Review report for estimates of liabilities for claims filed and IBNR claims.					
3. Compare report with prior periods and discuss any unusual variances with a responsible official.					
4. Compare amounts in report with recorded estimated liabilities.					
H. Determine adequacy of financial statement presentation and disclosures.	C				
1. Financial statement presentation considerations should include:					
a. If a single fund is used to record risk financing activities, should be a General Fund, a Special Revenue Fund or an Internal Service Fund.					
b. Loss liabilities for governmental funds and expendable trust funds should be recognized using the modified accrual basis of accounting (i.e. current portion recorded as an expenditure and fund liability and long-term portion recorded in the entity-wide statements (GASB 34).					
c. Loss liabilities for an Internal Service Fund (or other proprietary funds) should be recorded as a fund liability of the Internal Service (or other proprietary funds).					
d. For Internal Service Funds, any amount in net position which arose from an optional additional charge for catastrophic losses should be reported as designated.					
e. If the District participates in a public entity risk pool in which there is no transfer of risk to the pool or pool participants, contributions to the pool should be reported as either deposits (if not expected to pay claims) or as reductions of claims liability (if used to pay claims) in accordance with GASB 10 (GASB Codification, Section C50.135) and Statement of Position (SOP) 98-7.					

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<p>f. If the District made contributions to a public entity risk pool with transfers or pooling of risk:</p> <p>1) Determine contributions are recorded as deposits if a return of those contributions is probable.</p> <p>2) If not probable, then determine contributions are recorded as prepaid insurance to be allocated as expenditures/expenses over future periods, <u>or</u> alternatively, in governmental funds, as expenditures in the period made.</p> <p>2. Disclosures should include:</p> <p>a. Description of risks of loss the District is exposed to and ways in which those risks are handled (i.e., purchase of commercial insurance, participation in a public entity risk pool or risk retention). Describe significant reductions, if any, in insurance coverage from the previous year by major category of risk and any settlements in excess of insurance coverage in any of the prior three fiscal years.</p> <p>b. If District participates in a public entity risk pool, describe the nature of participation and rights and responsibilities of the entity and the pool.</p> <p>c. If District retains some risk of loss, include the additional disclosures required by GASB 10 (GASB Codification, Section C50.144(d)).</p> <p>d. For Internal Service Funds, also disclose:</p> <p>1) Deficit fund balance.</p> <p>2) Net position resulting from optional charges for catastrophic losses.</p> <p>I. Determine if the risk of material misstatement due to fraud or error has changed based on results of substantive tests performed. If so, perform appropriate procedures.</p>					
<u>ALTERNATE/ADDITIONAL PROCEDURES:</u>					

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<u>CONCLUSION:</u>  We have performed procedures sufficient to achieve the audit objectives for insurance and self-insurance and the results of these procedures are adequately documented in the accompanying workpapers.  Incharge _____ Date _____ Manager _____ Date _____ Independent Reviewer _____ Date _____					