



RICK SNYDER
GOVERNOR

STATE OF MICHIGAN
DEPARTMENT OF INSURANCE AND FINANCIAL SERVICES
LANSING

ANNETTE E. FLOOD
DIRECTOR

May 30, 2014

Mr. Doug Ringle
Office of Internal Audit Service
Office of the State Budget
George W. Romney Building
111 South Capitol, 6th Floor
Lansing, MI 48913

Dear Mr. Ringle:

In accordance with the State of Michigan, Financial Management Guide, Part VII, attached are a summary table identifying our responses and corrective action plans to address recommendations contained within the Office of the Internal Audit Service's assurance report of the Department of Insurance and Financial Services.

Questions regarding the summary table or corrective action plans should be directed to Teri Morante, Chief Deputy Director at (517) 373-1710 or morantet@michigan.gov.

Sincerely,

Signature Redacted

Annette E. Flood
Director

Attachments

- c: Executive Office
- Office of the Auditor General
- House and Senate Appropriation Committees
- House and Senate Standing Committees
- House and Senate Fiscal Agencies
- DIFS, Teri Morante
- DIFS, Jean Boven
- DIFS, Randall Gregg
- DIFS, Catherine Kirby
- DIFS, Renee Ortlieb
- DIFS, Barbara Strefling

AUDIT REPORT SUMMARY

DEPARTMENT: Department of Insurance and Financial Services

AUDIT PERIOD: October 1, 2010 through March 31, 2013

REPORT DATED: March 14, 2014

DISPOSITION OF AUDIT RECOMMENDATIONS

Complied	Will Comply
Recommendation #1	
Recommendation #2	
	Recommendation #3

Department of Insurance and Financial Services
Final Audit Response
Performance Audit
October 1, 2010 through March 31, 2013

Recommendation #1

OAG recommends that DIFS fully implement a comprehensive process to help ensure that it investigates complaints in a timely manner.

DIFS' Compliance Plan

Several improvements have been made in both the tracking of outstanding cases and the implementation of processes for insurance investigators to monitor cases and follow up with respondents. A new performance metric was established January 15, 2014, that requires investigators to complete a review of a case within 90 days of case opening, or if not, to log action taken on the case every 30 days noting the work performed and reason the case remains open. Additionally, reports are used by management to monitor activity on over 90-day cases to ensure appropriate action is being taken. These changes, in conjunction with the hiring of an additional insurance investigator, have resulted in a continued decrease of the back-log of older, less urgent cases.

A formal process, including a new performance metric for completion of these investigations, was implemented on May 1, 2014. All new complaints referred to the Office of Consumer Finance for investigation are reviewed to determine potential risk factors involved. Investigations are scheduled using a risk-based approach, with those determined to be most urgent receiving highest priority. Investigation results and recommendations for appropriate action, including closure of an investigation, are reviewed and approved by DIFS management.

Recommendation #2

OAG recommends that DIFS continue its efforts to improve its timeliness in processing PRIRA appeals.

DIFS' Compliance Plan

As acknowledged in the audit report, DIFS has already implemented process changes to improve the efficiency of the PRIRA unit. These process changes included temporarily assigning additional employee resources to reduce case backlog and delegating signing authority in order to reduce bottlenecks in the processing of files. In addition, DIFS has established new metrics for the specialists to complete draft orders to ensure ample time for managerial review prior to the expiration of applicable statutory deadlines.

Process improvements were implemented in January 2012 and new metrics were established in February 2014.

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Recommendation #3

OAG recommends that DIFS implement a comprehensive process to help ensure that Michigan surplus lines accurately report and remit the required surplus lines taxes.

- a. DIFS did not have a sufficient process to help ensure that licensees reported and remitted surplus lines tax amounts.
- b. DIFS did not have a process to identify and follow up with licensees that did not report and remit surplus lines taxes.

DIFS' Compliance Plan

- a. DIFS is developing an audit protocol for on-site surplus lines audits. The audit will be to verify that surplus lines tax filings and taxes remitted are accurate and complete. The first audit will begin by July 2014 and is estimated to be completed by April 2015.
- b. DIFS will request development of data downloads and activity reports that will assist in identifying patterns for tax filings. Once the reports are developed, analysis of tax payer filings will be conducted and a process for contacting tax payers regarding inconsistent filings will be implemented. Due to current system limitations, it is not anticipated this can be completed prior to July 2015.