
Highlights: Report of the Vermont State Auditor

Workers' Compensation Program: Workplace Safety Activities Not Consistently Performed and Recommendations Not Always Implemented

(July 2013, Rpt. No. 13-05)

Why We Did This Audit	Safer workplaces are beneficial to employees and employers and can result in fewer workers' compensation claims. Accordingly, our objectives were to (1) summarize and identify trends in state government workers' compensation claims for injuries reported to WCP between FY 2008 and 2012, (2) identify WCP's activities to prevent future worker injuries and evaluate the scope of these activities, and (3) evaluate whether departments with a high amount of workers' compensation claims have implemented WCP recommendations to improve worker safety. The scope of our audit included all incidents that were reported to WCP, even though not all incidents become claims (known as incident-only reports).
Objective 1 Finding	<p>Between FY 2008-2012, state workers reported 4,825 incidents to WCP that, as of December 31, 2012, had resulted in about \$27.3 million in payments for claims. At this point, it is unknown how much will ultimately be paid to satisfy the FY 2008-2012 claims. It can take years for the full expense of a workers' compensation claim to be paid, so the state employs an independent actuary to estimate its ultimate losses. In the latest actuary report, the ultimate losses for incidents that occurred between FY 2008-2012 was estimated to be about \$40 million.</p> <p>Except for incident-only reports, which showed a marked increase between FY 2011 and 2012, the number of workers' compensation claims was steady and decreased slightly over the five-year period. Almost three-quarters of all incidents that happened in FY 2008-2012 occurred in six organizations (listed from the most to the least): the Agency of Transportation, Department of Corrections, Department of Public Safety, Vermont State Hospital, Department of Buildings and General Services, and the Vermont Veterans' Home.</p>
Objective 2 Finding	<p>To prevent future injuries, WCP performed safety evaluations of reported incidents and undertook other activities, but these actions were not always completed as required. According to WCP's draft workplace safety evaluation protocols, safety coordinators are to evaluate all incidents that are reported. Our statistical sample of 124 incidents that occurred between February 12, 2010 and June 30, 2012 found that 23 percent did not undergo an evaluation by a safety coordinator. Projected to the universe of 2,279 incidents, we estimate that 533 incidents did not undergo a safety evaluation during this timeframe. Moreover, our review of the 124 cases also found significant deviations from the draft WCP safety evaluation protocol. Nearly every incident represents an opportunity to implement a safer work environment and reduce claims. The results of the statistical sample indicate that WCP is missing significant opportunities to identify and recommend safety fixes.</p> <p>An underlying cause of WCP's failure to execute safety evaluations consistent with its draft protocol is that it has limited staff resources devoted to safety activities. WCP used to have four safety coordinators, but since mid-2012 has employed only two safety coordinators, as staff members have left and not been replaced.</p>

Highlights (continued)

<p>Objective 3 Finding</p>	<p>Departments with a high amount of workers' compensation claims had implemented less than two-thirds of the recommendations made by WCP's safety coordinators in the 25 reports we reviewed, even though some of them were made several years ago. The ranges were a 50 percent implementation rate at the Department of Public Safety to a 75 percent implementation rate at the Department of Corrections. Even for those recommendations in which corrective action was taken or was in the process of being taken, the actions were not always timely. For example, one department completed an action in April 2013 that WCP had recommended in October 2010, which the department attributed to not being aware of the report until this audit.</p> <p>This modest showing can be attributed to (1) ineffectual WCP communication, (2) the lack of a mechanism by either WCP or the departments to track the status of recommendations, and (3) the lack of explicit monetary incentives for departments to enact WCP's recommendations or other safety measures.</p>
<p>Other Matters</p>	<p>During the course of performing our analyses of the data in the system WCP uses for claims management (operated by a contractor), we found data errors in some fields and significant information technology control weaknesses. The data errors were in fields that can be used to look for statewide injury trends—cause of injury, nature of injury, and body part. These errors were exacerbated by the lack of up-to-date policies and procedures related to claims processing.</p> <p>WCP also had poor information technology controls. In particular, in early May 2013, almost a quarter of the users (both state and contractor employees) were given unfettered access to data and functions in the system and the security was not set up to enforce strong separation of duties. Duties should be separated so that no one individual can control or perform all key aspects of a transaction or event in order to reduce the opportunity of fraud or errors. The WCP manager subsequently changed some of the access levels, but found that others could not be fixed because of adverse impacts on WCP's ability to process payments and issue checks in a timely manner. This, in part, is because the business roles established for at least two of the users required them to have access to all key aspects involved in paying a workers' compensation claim. The WCP manager indicated that it can be difficult to separate duties in a small organization. In such cases, the state's internal control standard indicates that organizations can substitute increased review or supervision, but WCP did not have such compensating controls in place. The weak system access controls coupled with the lack of compensating controls means that WCP is at high risk that inappropriate actions (intentionally or unintentionally) could be taken by users.</p>
<p>What We Recommend</p>	<p>We made recommendations to improve WCP's safety evaluations process and information technology controls. We also recommend considering whether (1) adding more safety coordinators would be cost beneficial and (2) the calculation of workers' compensation premiums could include incentives or penalties. (See pages 28-30.)</p>