



**STATE OF VERMONT**  
**OFFICE OF THE STATE AUDITOR**

July 22, 2013

Addressees (see last page of letter)

Dear Colleagues,

Attached is our audit report of the Office of State Employee Workers' Compensation and Injury Prevention (WCP) for fiscal years 2008-2012. The WCP has the dual responsibility of administering the workers' compensation program for state government employees and promoting policies and actions to reduce injuries and illness that may lead to future claims.

As a service provider, state government's most important asset is its workers. The WCP seeks to protect employees from injury and to avoid indirect costs, such as lost productivity. For this performance audit, we chose to look at the frequency and cost of claims, the efforts to prevent injuries, and whether departments implemented WCP's recommendations.

Based on actuarial estimates, the WCP is expected to pay \$8 million in claims per year on average over the last five years,<sup>1</sup> including the cost of paying injured employees who cannot work. Payments to injured workers averaged approximately \$1.4 million in the past three fiscal years. Claims involving medical care and lost work have declined slightly in recent years, but "incident only" reports, which are not workers' compensation claims, have increased significantly due to better reporting procedures.

The WCP safety evaluation protocols require a review of all reported workplace incidents. Such reviews are intended to help improve working conditions, avoid further incidents, and educate workers and supervisors about proper safety practices. We examined a statistically significant sample of incidents and found that the WCP failed to conduct safety evaluations almost a quarter of the time. One underlying cause of the problem is inadequate staffing. The WCP had four safety coordinators in 2010 but has only two today. These two individuals must deal with about 1,000 incidents per year, in addition to their other duties. It is noteworthy that a 2003 loss prevention study of the program recommended eight safety coordinators.

WCP also relies on safety employees in other departments to conduct incident reviews (e.g., AOT and BGS). However, this process is not well coordinated and WCP did not always know the results of the departmental reviews.

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<sup>1</sup> 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 \$40 million for the five-year period.

As for follow-up, the departments with high workers' compensation claims had implemented less than two-thirds of the WCP recommendations that were reviewed by our auditors, even though some of them were made several years ago. WCP sends the recommendations to Department of Human Resources staff members rather than to the departments of the affected workers.

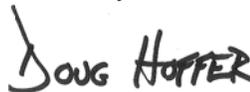
Among other injury prevention actions taken by the WCP, some staff time and outside consultant services are devoted to ergonomic assessments for state employees. This type of preventive effort is sensible, but the WCP does not have the authority to require departments to adopt its recommendations.

We had hoped to examine trends in the types of injuries reported but were unable to do so because the data in the WCP computer system were not reliable. We found numerous errors related to the characterization of injuries (i.e., body parts, causes, etc.), which is a problem because this information is used to monitor and evaluate statewide injury trends and exposures to determine whether they are being properly addressed. WCP needs to establish and implement updated policies and procedures.

Prevention is the key to reducing expenditures for workers' compensation claims and lost time due to workforce injuries. Although prevention activities may require an investment of resources, the benefits to state workers and the state budget are long-lasting. I urge the administration to direct departments to adopt WCP recommendations in a timely manner, to act promptly on this report's safety recommendations, and to consider various financial incentives and/or penalties to strengthen the State's commitment to workforce safety. In addition, the administration and the legislature should consider adding more safety coordinators to WCP to expand its safety efforts. For its part, the WCP should improve its record keeping and its communications and coordination with other departments.

State employees deserve a safe workplace and taxpayers have a right to expect the State to make the investments necessary to reduce workforce injuries and related costs. This performance audit provides managers and policy makers with the information necessary to help the WCP achieve both goals.

Sincerely,

A handwritten signature in black ink that reads "DOUG HOFFER". The letters are in all caps and have a slightly cursive, informal style.

Douglas R. Hoffer  
Vermont State Auditor

## **ADDRESSEES**

The Honorable Shap Smith  
Speaker of the House of Representatives

The Honorable John Campbell  
President Pro Tempore of the Senate

The Honorable Peter Shumlin  
Governor

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Agency of Administration

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