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February 1, 2017

Performance Audit  
Recommendations and Corrective  
Actions for Audit: 13-5

WORKERS' COMPENSATION  
PROGRAM

Workplace Safety Activities Not  
Consistently Performed and  
Recommendations Not Always  
Implemented

Dated: 07/22/2013

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# Overview

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The SAO makes recommendations designed to improve the operations of state government. For our work to produce benefits, auditees or the General Assembly must implement these recommendations, although we cannot require them to do so. Nevertheless, a measure of the quality and persuasiveness of our performance audits is the extent to which these recommendations are accepted and acted upon. The greater the number of recommendations that are implemented, the more benefit will be derived from our audit work.

In 2010, the SAO began to follow-up on the recommendations issued in our performance audits. Experience has shown that it takes time for some recommendations to be implemented. For this reason, we perform our follow-up activities one and three years after the calendar year in which the audit report is issued. Our annual performance reports summarize whether we are meeting our recommendation implementation targets.

<http://auditor.vermont.gov/about-us/strategic-plans-and-performance-reports>

This report addresses the requirements of Act 155 (2012) to post the results of our recommendation follow-up work on our website. The report does not include follow-up on recommendations issued as part of the state's financial statement audit and the federally mandated Single Audit, which are performed by a contractor. However, our current contract for this work requires the contractor to provide the results of its recommendation follow-up.

Audit No., Name	Rec #	Recommendation	Follow-Up Date	Status & Date	Review Comments
<a href="#">13-5 Workplace Safety Activities Not Consistently Performed and Recommendations Not Always Implemented</a>	1	We recommend that the Secretary of Administration direct the Workers' Compensation Program (WCP) Manager to: Revise, finalize, and implement the workplace safety evaluation protocols to provide explicit criteria as to what type of review should be performed; including reviews of claim documentation only and reliance on safety officials in other organizations.	2015	Not Implemented	The State's Office of Risk Management (ORM) issued an request for proposal (RFP) on January 8, 2016 for a third-party administrator to carry out its workers' compensation program. This RFP includes requirements for the administrator to conduct loss control and workplace safety services. Until the State reaches agreement with a third-party administrator that specifies the safety reviews to be conducted, this recommendation will remain as not implemented.
			2016	Implemented	As of October 2016, the state's risk management services (workers' compensation, general liability, and workplace safety/loss prevention) are being provided by PMA Management Corp. of New England. The state's contract with PMA lays out the workplace safety evaluation protocols, which includes coordination with all on-site investigations. The contract also states that a complete investigation will be performed after the first report of injury is filed. PMA will not be relying on claim documentation reviews for low-level incidents, but will investigate all workers' compensation claims.
	2	Establish and monitor the results of written agreements with other departments that are performing safety evaluations that the WCP is relying upon in lieu of reviews by its safety coordinators that outline the expectations and responsibilities of each party.	2015	Not Implemented	The ORM issued an request for proposal (RFP) on January 8, 2016 for a third-party administrator to carry out its Workers' Compensation Program. This RFP includes requirements for the administrator to conduct loss control and workplace safety services. Until the State reaches agreement with a third-party administrator that specifies the safety reviews to be conducted, this recommendation will remain as not implemented.
			2016	No Longer Applicable	Our review of the state's contract with PMA indicates that PMA will be performing all of the investigations for workers' compensation claims. The Director of Operations at the (ORM) confirmed that PMA will conduct all investigations and will not rely on the state's internal investigations as a substitute for their own investigations.
	3	Perform an analysis of the costs and benefits of employing additional safety coordinators, taking into account whether process changes can improve the effectiveness of the current process and the restrictions imposed by 29 VSA §1408(a)(5).	2015	Partially Implemented	WCP reported that in May 2015, one of the two workplace safety coordinators retired. There were two layoffs in the ORM in June 2015 and WCP was unable to replace the safety coordinator position and had to reclassify it to an administrative support position to provide needed support to the downsized staff. Given these factors, the ORM issued a Request for Information (RFI) and determined that a third party administrator (TPA) would be able to provide cost savings and performance efficiencies for workers' compensation safety services and claims management. Based on the results of this RFI, in January 2016, the State's ORM issued an request for proposal (RFP) on January 8, 2016 for a third-party administrator to carry out its workers' compensation program.
			2016	No Longer Applicable	ORM has outsourced the risk management services (workers' compensation, general liability, and workplace safety/loss prevention) to PMA. Therefore, this recommendation is no longer applicable.

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<a href="#">13-5 Workplace Safety Activities Not Consistently Performed and Recommendations Not Always Implemented</a>	4	Develop a process, in conjunction with departments to whom safety recommendations are directed, to ensure that WCP's safety evaluations are directed to an individual in each department that has the authority to take corrective action, establish responsibility for recommendation follow up, and implement a recommendation tracking process.	2015	Not Implemented	WCP has not implemented our recommendation. WCP reported that it planned on issuing a Request for Proposal (RFP) in October 2015 in order to obtain workers' compensation claim and safety services from a third party administrator but the RFP has not been issued yet.
			2016	Implemented	According to the PMA's Regional Risk Control Manager, all recommendations will be provided to ORM's Director of Operations who will direct these to the correct agency upon receipt and review. PMA will develop a tracking sheet for all recommendations and provide a copy to ORM's Director of Operations on a monthly schedule. The tracking sheet will define the recommendation, the person accountable for compliance, reasonable target date for completion, and the disposition of the recommendation.
	5	We recommend that the Secretary of Administration direct the Manager of the Office of Risk Management to consider whether the calculation of workers' compensation premiums could include incentives or penalties based on the implementation of WCP safety recommendations or other elements of an effective safety program, such as enrollment in the Green Mountain Voluntary Protection Program.	2015	Not Implemented	The State's ORM issued an request for proposal (RFP) on January 8, 2016 for a third-party administrator to carry out its workers' compensation program. This RFP includes requirements for the administrator to conduct loss control and workplace safety services. The ORM reported that it plans to work with the administrator on this recommendation when one is chosen.
			2016	Not Implemented	ORM reported that incentives or penalties have not been built into the premiums. ORM is looking into revisiting this recommendation to determine if it can be implemented in a future budget cycle.
	6	We recommend that the Secretary of Administration direct the WCP Manager to develop up to date workers' compensation policies and procedures, including instructions that define the claims management system data elements and when changes to data in the system are expected to be made.	2015	Partially Implemented	WCP reported that a System Administrator was hired on November 18, 2015. One of his responsibilities will be to update all policies and procedures pertaining to the iVOS system. In January 2016, the State issued a request for proposal for a third-party administrator to carry out its Workers' Compensation Program, which may make this recommendation not applicable in the future.
			2016	No Longer Applicable	ORM has outsourced the risk management services (workers' compensation, general liability, and workplace safety/loss prevention) to PMA. Therefore, this recommendation is no longer applicable.
	7	Expediently redefine the business and system roles of contractor and WCP personnel to ensure that they do not have authorization in the system to add, change, or delete data in the system that is not necessary for their role and that violates the separation of duties internal control principle. For those business roles in which it is not possible to employ strong separation of duties because of operational considerations, develop and implement mitigating controls, such as reports or additional supervision.	2015	Not Implemented	We reviewed the security screen for users of the iVOS system on 12/3/15 and found that at least six users (2 state users and 4 contractors) still have "all user" security access which means these users can change their own security levels and roles. An iVOS contractor also had complete access to the system. Therefore, we conclude that WCP has not implemented our recommendation. In January 2016, the State issued a request for proposal for a third-party administrator to carry out its Workers' Compensation Program, which may make this recommendation not applicable in the future.
			2016	Implemented	The contract with PMA outlines the technical requirements, which includes access controls and separation of duties. Least privileged will be employed for all systems. This approach evaluates user permissions and system functionality. It then restricts access to the resources required for users to perform their duties, based on role-based access to data. Additionally, we reviewed the SOC I compliance report prepared by I.S. Partners, an audit, compliance, and IT services firm, and found there were no exceptions noted in these areas for PMA's systems for calendar year 2015.

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<a href="#">13-5 Workplace Safety Activities Not Consistently Performed and Recommendations Not Always Implemented</a>	8	Develop a vendor approval process in which only a limited number of state employees are allowed to add vendors to iVOS and change the payee name and address for a particular payment.	2015	Implemented	WCP developed new vendor procedures effective December 10, 2015. The Administrative Services Coordinator III is the only employee in Risk Management with access to the iVOS vendor tab, where vendors can be added or changed. Additionally, this employee has only "read only" access to VISION, where payments are now processed internally rather than in the iVOS system.
	No further follow-up is required because the recommendation was implemented.				
	9	Establish a process to confirm that the number and amount of the checks processed by the contractor equal the payments that WCP authorized.	2015	Partially Implemented	WCP reported that the iVOS contractor no longer issues checks. A new accounts payable process was implemented in 2015 whereby invoices are reviewed and approved in iVOS and then paid through VISION. WCP provided a FY 2015 draft of iVOS payment approvals to VISION payments which was performed by Finance and Management. However, the \$140,000 or 1.4% difference between the VISION payments and the iVOS approvals was not reconciled because data fields between the two systems didn't match. WCP indicated that this reconciliation will be completed going forward once the interface between VISION and iVOS takes place.
			2016	Partially Implemented	We reviewed the state's contract with PMA that outlines the process for funding claims and expenses. ORM reported they have not received any claim payment invoices from PMA yet and therefore have not done their first reconciliation.
	10	Establish a process to lock out users that unsuccessfully attempt to gain access after a series of attempts.	2015	Implemented	WCP reported that this recommendation was fully implemented and provided an email from Ventiv Technology which shows that this security configuration is in place in the iVOS system.
			No further follow-up is required because the recommendation was implemented.		
	11	Suspend telework situations in which home computers are used to access the claims system until such time as WCP can ensure that it complies with the planned telework security policy or, based on consultations with the state's information security officer, it establishes a process to ensure that the system is being accessed from a secure environment.	2015	Not Implemented	WCP reported that this recommendation is partially implemented and telework situations are currently prohibited. However, WCP could not locate the staff meeting agenda as evidence of this cited action. In January 2016, the State issued a request for proposal for a third-party administrator to carry out its workers' compensation program, which may make this recommendation not applicable in the future.
			2016	No Longer Applicable	ORM has outsourced the risk management services (workers' compensation, general liability, and workplace safety/loss prevention) to PMA. Therefore, this recommendation is no longer applicable.
	12	Ensure that security for the planned new system is configured to ensure that system access and authorization levels are commensurate to the business need of the organization and user.	2015	Partially Implemented	At the time of the audit, WCP planned to implement a new system. However, this did not occur and WCP is planning to upgrade their current system iVOS. WCP hired a part-time System Administrator on November 18, 2015. One of his responsibilities will be to establish and maintain user roles and permissions in iVOS. In January 2016, the State issued a request for proposal for a third-party administrator to carry out its workers' compensation program, which may make this recommendation not applicable in the future.
			2016	Implemented	The contract with PMA outlines the technical requirements, which includes access controls and separation of duties. Least privileged will be employed for all systems. This approach evaluates user permissions and system functionality. It then restricts access to the resources required for users to perform their duties based on role-based access to data. Additionally, we reviewed the SOC I compliance report prepared by I.S. Partners, an audit, compliance, and IT services firm, and found there were no exceptions noted in these areas for PMA's systems for calendar year 2015.

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<a href="#">13-5 Workplace Safety Activities Not Consistently Performed and Recommendations Not Always Implemented</a>	13	Transfer the system security functions currently the responsibility of the WCP manager to another staff member when the new system is implemented.	2015	Partially Implemented	WCP reported that the WCP manager resigned one year ago. At that time, the system security functions were handled by three employees. However, as of 11/18/15, the iVOS system security functions are being handled by a part-time System Administrator. In January 2016, the State issued a request for proposal for a third-party administrator to carry out its workers' compensation program, which may make this recommendation not applicable in the future.
			2016	Implemented	System security functions are now under the domain of PMA. We reviewed the SOC I compliance report prepared by I.S. Partners, an audit, compliance, and IT services firm, and found there were no system security exceptions noted for PMA's systems for calendar year 2015.