

# MUNICIPAL AUDITING REPORT CITY OF ROANOKE



## **RCPS Workers Compensation Follow-Up** November 17, 2016

Report Number: 17-005  
Audit Plan Number: 17-103

*Municipal Auditing Department  
Chartered 1974*

[www.roanokeva.gov/auditing](http://www.roanokeva.gov/auditing)

Phone 540.853.5235

## TABLE OF CONTENTS

Audit Objectives & Scope .....	1
Background .....	3
Objective 1 – Supervisor Accident Reports.....	6
Objective 2 – Employee Accident Reports .....	7
Objective 3 – Timeliness of Accident Reporting .....	7
Objective 4 – Risk Management Committee .....	9
Objective 5 – Indemnity Payments.....	10
Acknowledgments .....	11

## AUDIT OBJECTIVES & SCOPE

### Audit Objectives:

1. To determine if the Supervisor's Report of Accident form has been revised to prompt for specific accident-related information necessary to effectively evaluate workers compensation claims.

**Yes** – The specific investigative prompts have been added to the Supervisor's Report of Accident form to help ensure the necessary accident-related information is documented and available to properly evaluate each incident and take appropriate corrective actions.

2. To determine if the redesigned Report of Employee Accident form allows for more complete employee reporting of each incident, minimizing missing information and providing more complete risk management evaluation and planning processes.

**Yes** – The Report of Employee Accident form includes a specific instruction to answer ALL questions and prompts the employee for more complete information about the incident. Employees are consistently providing the information prompted for on the report.

3. To determine if the redesigned Report of Employee Accident form and the Employee Health webpage effectively communicate the procedures for reporting employee accidents, including the required timeframes for reporting.

**Yes** – The Report of Employee Accident form instructs the employee to file the report within 24 hours of the incident and requires documentation of reason(s) for delayed reporting of injuries.

There is now a webpage on the RCPS website that outlines the procedures for reporting employee accidents and includes the timeframe within which accidents must be reported to the Employee Health Clinic. Employees are consistently providing the report within twenty-four [24] hours of the incident.

4. To determine if a Risk Management Committee has been established and meets on a consistent basis to review worker's compensation exposures and develop strategies to manage and minimize those exposures.

**Yes** – A Risk Management Committee has been established and meets on a consistent basis as evidenced by meeting minutes. The Committee has been working to identify exposures, develop a risk control program and to establish an appropriate risk strategy.

5. To determine if indemnity errors identified in the original audit were corrected by the third party claims administrator, and if indemnity payments to claimants in 2016 were correctly calculated in accordance with workers compensation regulations.

**Yes with Exceptions** – The indemnity errors identified in the original audit were corrected by the third party claims administrator. However, we again noted errors in indemnity payment calculations for 2016 incidents due to the use of incorrect wage periods.

Audit Scope:

We reviewed accident reports filed between May 1, 2016 and September 12, 2016.

We confirmed the instructions provided via the Employee Health Clinic's webpage on the RCPS website as of September 6, 2016.

We reviewed the minutes of the Risk Management Committee meetings held from February 18 through March 23, 2016.

We selected a sample of 2016 indemnity payments issued by the Division's new third party claims administrator, PMA Management Corporation.

**End of Audit Objectives and Scope**

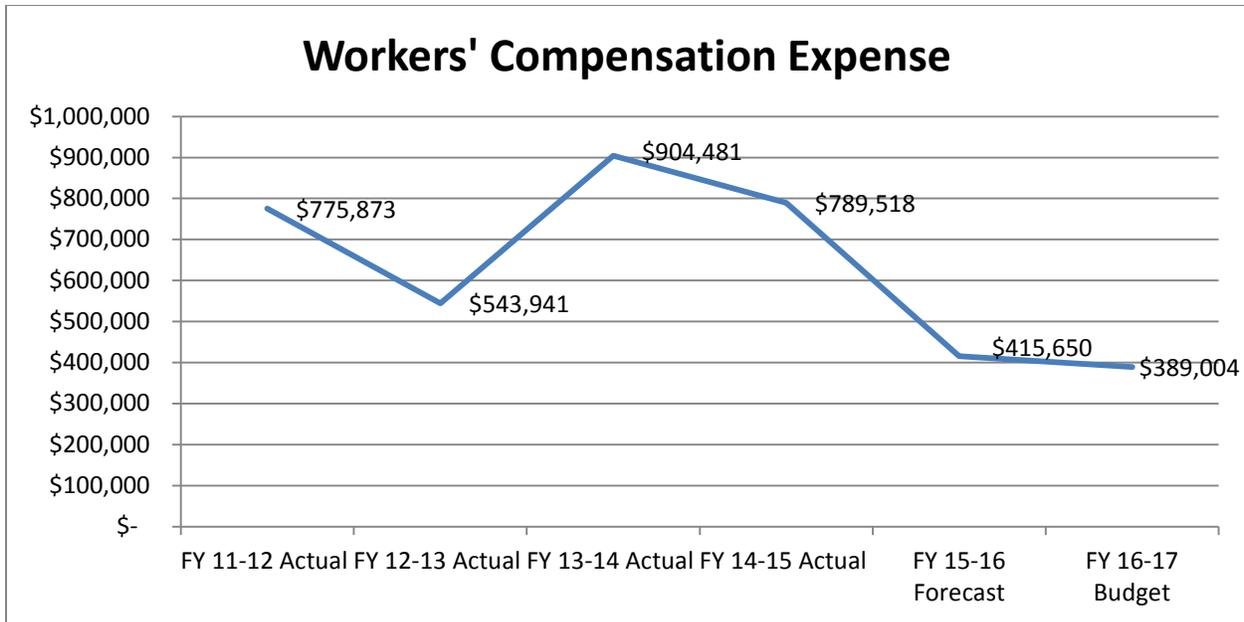
## **BACKGROUND**

The primary goal of the workers compensation program is to provide appropriate care and treatment for injured workers. The program seeks to provide professional and responsible management of employee injuries that enables employees to recover their health and return to work. The Occupational and Student Health Services Coordinator is responsible for overseeing, planning, and coordinating health and wellbeing activities for employees of Roanoke City Public Schools. A significant part of her role involves managing the Division's workers compensation program.

Roanoke City Public Schools contracts with PMA Management Corporation to provide workers compensation claims management services. The contract went into effect on July 1, 2016 and provides for workers' compensation claims administration services, as well as excess reporting, managed care, risk control, and legal services. Prior to this arrangement, the school division contracted with Sedgwick Claims Management Services, Inc. [Sedgwick] for these services.

Based on data taken from the Division's Comprehensive Annual Financial Reports for the years ending June 30, 2008 through 2015, and the actuarial study as of June 30, 2015, overall liability for workers compensation peaked in 2012 and has steadily decreased each year.

Workers' compensation expenses for RCPS are also currently trending down as seen in the chart on the following page:



The Virginia Workers' Compensation Act [Title 65.2 of the Code of Virginia] governs workers' compensation. Additionally, the Occupational Safety and Health Act of 1970, as administered by the Occupational Safety and Health Administration [OSHA], regulates workplace safety, standards, and training requirements. The laws are complex and it is essential for the Occupational and Student Health Services Coordinator to understand and appropriately apply the laws throughout the workers' compensation process.

On an annual basis, the Occupational and Student Health Services Coordinator must report all OSHA Claims [lost time, modified duty, death, and other OSHA applicable claims] to the U.S. Department of Labor. All claims must also be reported to the Workers' Compensation Commission as they occur. The PMA Corporation prepares and submits this reporting on behalf of Roanoke City Public Schools. The school division receives a confirmation letter from the Commission for each claim submitted by PMA.

The original audit of RCPS workers compensation processes performed as of September 1, 2015 addressed the following objectives:

1. To determine if controls are in place and operating effectively to ensure employees can safely perform all tasks required of their position.

**Conclusion:** Job descriptions include typical tasks and physical requirements, and the Employee Health Clinic performs a physical on each new employee verifying the employee's general fitness to work. All employees view an OSHA-required video, and departments provide job specific training to address safety issues as well.

2. To determine if controls are in place and operating effectively to ensure compensated injuries were incurred within the scope of the employee performing his or her job.

**Conclusion:** The form used to document work related accidents could be improved by prompting the employee and supervisor for more specific information about the accident. We noted some workplace injuries were not reported to the Employee Health Clinic within twenty-four [24] hours as required by policy.

3. To determine if controls are in place and operating effectively to ensure that medical care and paid recovery time are reasonable and appropriate.

**Conclusion:** While the processes for the day-to-day treatment of injuries and management of cases are well developed, we observed that there is not a comprehensive approach for analyzing claims experience and exposures. We also noted that the Division has no formal processes in place to monitor the performance of the third party claims administrator.

**End of Background**

## Objective 1: Supervisor's Report of Accident

### Management Response / Action Plan:

The current Employee Report of Accident, while compliant with OSHA reporting regulations, lacks reporting prompts for supervisor investigation of incidents which would support a proactive approach to risk management activities such as trends and identification and correction of problem areas/situations. The current reporting document will be redesigned to include specific supervisory investigative prompts and will provide vital information related to accident, allowing a more thorough and beneficial risk management assessment of each incident.

Research and development of a new reporting tool will be completed in 6 months.

### Follow Up (November 2016) – Issue resolved

We reviewed the *Supervisor's Report of Employee Accident* form to determine if specific investigative prompts have been added to provide accident-related information. Our review revealed that the supervisor is prompted to document the following information:

- What the employee was doing prior to the accident/injury.
- If safety or personal protective equipment was indicated, and if so what equipment was used. If equipment was not used, the supervisor must document the reason.
- If surveillance video is available and if it has been saved.
- Assess the validity of the claim and if the supervisor questions the validity, they must document the reason.

We reviewed a sample of *Supervisor's Report of Employee Accident* forms prepared from May 1, 2016 through September 12, 2016 to determine if the reports were being fully completed. We concluded that the forms were substantially complete, having the necessary information to properly document and evaluate each incident. In cases involving significant injuries, additional details were documented in the nurse's progress notes within the employee file.

Furthermore, the third party claims administrator records statements from injured employees, and interviews supervisors and any witnesses. The third party claims administrator conducts detailed investigations regardless of the follow-up initiated by the Occupational and Student Health Services Coordinator.

**End of Objective 1**

**Objective 2: Employee Accident Reports**

**And**

**Objective 3: Timeliness of Accident Reporting**

**Management Response / Action Plan:**

**(Objective 2)** Potential employees, during pre-employment health assessment appointments, are given verbal and written instruction of the injury reporting process. This will continue. Additionally, the Employee Health Nurse has begun visiting individual school faculty meetings to review the accident reporting process. This process will continue.

The Occupational and Student Health Services Coordinator consistently completes follow-up with injured workers when indicated to assist in the determination of compensability. Information obtained following the injury however, is not added to the accident report but is entered into Sedgwick ViaOne system and to Progress notes in the individual employee health file. Redesign of the Report of Accident form will allow for more complete employee reporting of the incident which will minimize missing information and will provide more complete risk management evaluation and planning processes. The new reporting tool will include space for additional accident-related information by the Occupational and Student Health Services Coordinator.

Research and development of a new reporting tool will be completed in 6 months.

**(Objective 3) #1** - The Occupational and Student Health Services Coordinator will create and publish an electronic page within the Employee Health Department site (within the RCPS website) outlining the procedure for reporting employee accidents. The additional site will be completed within 3 months.

The Employee Health Nurse will continue to visit faculty meetings in individual schools to review the accident reporting policy/procedure. These visits began in the spring of 2015 and will be ongoing.

**(Objective 3) #2** - The redesign of the Employee Report of Accident will include prompts for documentation of reason(s) for delayed reporting of injuries.

Research and development of a new reporting tool will be completed in 6 months

**Follow Up (November 2016) – Issue resolved**

We reviewed the revised Report of Employee Accident form to determine if it allows for complete employee reporting of the incident to minimize missing information, and if it prompts for documentation of reason(s) for delayed reporting of injuries. Our review revealed that the Report of Employee Accident form asks the employee to document the following information:

- What he or she was doing just prior to the accident/injury and how the injury occurred.
- If there was a specific object or substance that caused the injury.
- To whom the injury was reported and what could have been done to prevent the injury.
- Name and contact numbers of any witnesses.
- Date and time the incident occurred.
- When the injury was reported

The Report of Employee Accident form instructs the employee to answer ALL questions, and to send the report to Employee Health within 24 hours.

We reviewed a sample of Report of Employee Accident forms supporting employee injuries occurring from May 1, 2016 through September 12, 2016 to determine if the reports are fully completed and submitted to Employee Health within 24 hours. Our review revealed that employees are consistently providing the information prompted on the report within twenty-four [24] hours of the incident.

We also verified a webpage was created on the RCPS website that outlines the procedures for reporting employee accidents. The page includes the timeframe within which accidents must be reported to the Employee Health Clinic.

**End of Objectives 2 and 3**

### **Objective 4: Risk Management Committee**

#### **Management Response / Action Plan:**

A multidisciplinary Risk Management Committee will be developed to identify worker's compensation exposure and develop strategies to manage and minimize those exposures. The committee will meet consistently, on a quarterly basis, review claims data provided by the third party administrator to identify trends, assess and mitigate loss prevention and injury risk. Records of reviews and actions taken will be maintained by the Occupational and Student Health Services Coordinator.

The Risk Management Committee will be convened within 3 months.

#### **Follow Up (November 2016) – Issue resolved**

We reviewed the documented minutes of the recently established Risk Management Committee and determined that the committee has met twice thus far in 2016. The June quarterly meeting was postponed on two (2) separate occasions and was not rescheduled. The Committee had not met again as of September 30.

The minutes documented by the Occupational and Student Health Services Coordinator indicate the Committee has been working to identify exposures, develop a risk control program and establish an appropriate risk strategy.

**End of Objective 4**

## Objective 5: Indemnity Payments

### Management Response / Action Plan:

- 1- The discrepancies in indemnity payments identified by the auditor have been or will be corrected by Sedgwick Claims Management.
- 2- Investigation of Virginia Worker's Compensation code will be completed to determine the formula(s) for correctly calculating indemnity payments to injured workers.
- 3- A sample of an injured worker receiving indemnity will be chosen for review on a monthly basis to determine the correctness of the indemnity payment. This process will be developed as an ongoing protocol.

Recovery of indemnity overage identified will be complete within 6 months. The under payment has been resolved.

Investigation and development of a protocol for validation of indemnity payments to RCPS injured workers will be completed in 3 months.

### Follow Up (November 2016) – Issue partially resolved

Although RCPS no longer contracts with the same company for third party claims administration services, we confirmed that the two [2] errors identified in the original audit were corrected by Sedgwick Claims Management Services [the former third party claims administrator].

We reviewed the agreement with the new third party claims administrator, PMA Management Corporation, effective July 1, 2016. PMA is responsible for calculating and issuing indemnity payments to injured employees. We also reviewed two [2] indemnity payments issued by PMA during 2016, and identified that both payments were calculated incorrectly due to the use of an incorrect wage period. The errors noted resulted in the following overpayments by RCPS:

- \$59.17 per week to an injured employee who is still receiving payments as of 10/21/16
- \$46.19 overpayment per week to an injured employee that lost two [2] weeks of work, resulting in a total overpayment of \$92.38.

The third party claims administrator has submitted a letter to the Virginia Workers Compensation Commission citing a mutual mistake on the calculation of the average weekly

wage and compensation rate of the injured employee continuing to receive compensation. The letter includes the third party claims administrator's calculation and supporting documentation.

The Occupational and Student Health Services Coordinator has documented a procedure specifying the criteria for requesting a wage report from the RCPS Payroll Department. The procedure was validated by the third party claims administrator and is currently in use.

### ACKNOWLEDGEMENTS

We would like to thank Karen Switzer, Occupational and Student Health Services Coordinator, for her cooperation and assistance throughout the audit.



Cari Spichek, CIA  
Senior Auditor



Drew Harmon, CPA, CIA  
Municipal Auditor