



CITY OF RENO AUDIT REPORT

WORKERS' COMPENSATION PROCESS MAY 2021

CONTENTS

EXECUTIVE SUMMARY	2
BACKGROUND	3
AUDIT RESULTS	
PROGRAM ADMINISTRATION – SECURITY	4
PROGRAM ADMINISTRATION – EFFICIENCY	6
RETURN-TO-WORK PROGRAM	7
POLICIES & PROCEDURES.....	9
MANAGEMENT RESPONSES	11
SCOPE AND METHODOLOGY	19

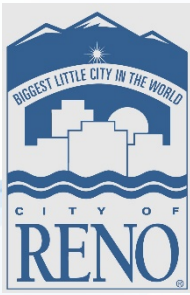
OBJECTIVES

The audit objectives include an analysis designed to measure and report on the administration of the Workers’ Compensation process across the organization. Specifically, objectives include:

- To review the administration of the program for equity and efficiency;
- To review the administration process for compliance with documented policies, procedures, and laws;
- To report on the Workers’ Compensation process and associated costs; and
- To evaluate the risk of fraud, waste, and abuse relative to the audit objectives.

INTERNAL AUDIT MISSION STATEMENT

To provide the City of Reno with an independent appraisal function designed to assist the Reno City Council, citizens, and City management in establishing accountability, transparency, and a culture of continuous improvement in City operations.



Executive Summary

Workers' Compensation Process Audit

Purpose of Audit

To determine if the administration of the Workers' Compensation program is operating consistently, efficiently, equitably, and in accordance with documented policies, procedures, and laws. We also evaluated the risk of fraud, waste, and abuse relative to the audit objectives.

Audit Recommendations

These recommendations are intended to be considered together, with each providing a layer of internal controls, in an effort to enhance the program.

Recommendations include:

- ✧ Enhance the physical security and cybersecurity of program documents, specifically those with Personal Identifying Information (PII) and Protected Health Information (PHI).
- ✧ Efficiencies in administration including retaining records minimally, reducing the number of personnel administering the program, and providing training periodically to program administrators.
- ✧ Enhance the return-to-work program.

Detailed recommendations are included in the body of the report for each of the 12 audit findings. Management agrees with the recommendations and departmental actions are being taken.

For more information on this or other City of Reno Internal Audit reports, contact InternalAudit@reno.gov.

KEY FINDINGS

- ✧ The physical security and cybersecurity of employees' Personal Identifying Information (PII) and Protected Health Information (PHI) may be compromised with the current administration's methodology.
- ✧ Multiple employees across the organization have been tasked with filing Workers' Compensation claims which creates inefficiencies for program management.
- ✧ The return-to-work program is not applied consistently across the organization nor is it consistent with industry best practices.

BACKGROUND

The City of Reno administers the self-insured Workers' Compensation program which includes coordination with the providers of Workers' Compensation services and management of the third-party administrator contract and relations. Regulations for Workers' Compensation claims are detailed in the Nevada Revised Statute (NRS) Title 53 *Labor and Industrial Relations*, specifically NRS 616A through 617 and are time sensitive.

It should be noted that, per contract, the third-party administrator performs the following services, "To decide on behalf of City what benefits, if any, should be paid or rendered under the applicable workers' compensation laws in each reported claim, and to pay those claims by check or draft ..." and also, "to maintain a claim file on each reported claim, which shall be available during normal business hours for inspection ..."

BACKGROUND

The City of Reno administers the self-insured Workers' Compensation program which includes coordination with the providers of Workers' Compensation services and management of the third-party administrator contract and relations. Regulations for Workers' Compensation claims are detailed in the Nevada Revised Statute (NRS) Title 53 *Labor and Industrial Relations*, specifically NRS 616A through 617 and are time sensitive.

The City of Reno has contracted with a third-party administrator, Cannon Cochran Management Services, Inc. (CCMSI), to administer the Workers' Compensation program including processing, management, investigation, and payment of claims. It should be noted that, per contract, CCMIS performs the following services, "To decide on behalf of City what benefits, if any, should be paid or rendered under the applicable workers' compensation laws in each reported claim, and to pay those claims by check or draft ..." and also, "to maintain a claim file on each reported claim, which shall be available during normal business hours for inspection ..."

The City of Reno does not have control over the timeliness of the vendor's receipt of medical records, doctors' opinions, and independent medical evaluations. During the course of audit fieldwork, it was communicated to audit by several employees there can be a lengthy waiting period in obtaining the documentary evidence required for claims processing. Indeed, the need for evidence and information from third-party sources may contribute to the reported delayed of some claims.

AUDIT RESULTS

Audit reviewed documentation and queried staff that process Workers' Compensation claims to discuss the claims process; we also queried other key personnel. Queries included twenty-two staff from seven different departments with their information evaluated for process efficiency, equity, security, and internal controls. Citywide policies and best business practices were also considered during the audit fieldwork. The audit resulted in twelve separate exceptions and practices identified for improvement. An exception is noted when audit testing identifies an area of noncompliance with documented policies or best practices. Simply put, exceptions identify areas of risk. Audit exceptions and recommendations are detailed in the sections below: *Program Administration – Security*, *Program Administration – Efficiency*, *Return-to-Work Program*, and *Policies & Procedures*.

Program Administration – Security

The use of Personal Identifying Information (PII) and Protected Health Information (PHI) is necessary when filing Workers' Compensation claims. Per NRS 205.4617, Personal Identifying Information is defined as "... any information designed, commonly used or capable of being used, alone or in conjunction with any other information, to identify a living or deceased person ...". Multiple employees, departmental liaisons, across the organization have been tasked with filing claims and have access to PII for claims' remittance and may also have access to PHI provided by the affected employee or provided to the departmental liaison directly by the medical provider. Those Workers' Compensation documents with PII and PHI are maintained in several locations by departmental liaisons such as physical filing cabinets, desktop computers, and shared drives – each with various states of physical security and cybersecurity. In addition, during the administration of claims, departmental liaisons reported receiving and/or emailing PII and PHI through the City's email system. It is relevant to note most of staff members tasked with filing claims are not classified as confidential employees as defined by City of Reno Payroll, thus increasing the risk to the City.

Enhance Security of Documents (Audit Findings #1-3):

Personal Identifying Information

1. The physical security and cybersecurity of employees' Personal Identifying Information (PII) may be compromised with the current administration's methodology. Citywide policy 103 Records Management Section V states, in part, "Properly managing City records is a fundamental role of being a public employee," and also, Section VIII.B. Care of Records states, in part, "Access Control: All employees must maintain the security of City Records. Records must be stored in safe and secure locations." In addition, per NRS 603A.210 Security measures, effective January 1, 2021, includes, in part, "1. A data collector that maintains records which contain personal information of a resident of this State shall implement and maintain reasonable security measures to protect those records from unauthorized access, acquisition, destruction, use, modification or disclosure."

Recommendation:

We recommend physical security and cybersecurity surrounding the collection, distribution, and retention of Personal Identifying Information be enhanced to meet current industry standards.

Protected Health Information

2. The physical security and cybersecurity of employees' Protected Health Information (PHI) may be compromised with the current administration's methodology. Citywide policy 103 Records Management Section V states, in part, "Properly managing City records is a fundamental role of being a public employee." In addition, the Health Insurance Portability and Accountability Act of 1996 (HIPAA) is a federal law that required the creation of national standards to protect sensitive patient health information from being disclosed without the patient's consent or knowledge. *Permitted Uses and Disclosures* of the Act permits use without an individual's authorization or permission for 12 national priority purposes, one of which is "Workers compensation." However, with the current administration process, there may be excess employee information within the PHI that are included in the collection, distribution, and retention of Workers' Compensation claim documents.

Recommendation:

We recommend physical security and cybersecurity surrounding the collection, distribution, and retention of Protected Health Information be enhanced to meet current industry standards.

Security Training

3. Per inquiries with multiple departmental liaisons involved in processing Workers' Compensation claims, the delicate nature of employees' Personal Identifying Information (PII) and Protected Health Information (PHI) was not apparent. Without appropriate training, the physical security and cybersecurity of employees' PII and PHI may be compromised.

Recommendation:

We recommend, once enhancements have been made regarding findings #1 and #2, formal training be provided to all employees that process Workers' Compensation claims as it relates to physical security and cybersecurity for the collection, distribution, and retention of Personal Identifying Information and Protected Health Information to meet industry best practices.

Program Administration – Efficiency

Consolidate Program Administration

4. Multiple employees across the organization have been tasked with filing claims and have access to Personal Identifying Information (PII) and Protected Health Information (PHI) for claims' remittance, as previously detailed. By distributing the administration of the program across multiple departments, effective security and management is more difficult, such as documents' physical security and cybersecurity, disseminating effective training, and maintaining program equity. A centralized function for Workers' Compensation administration was not implemented during the audit scope. Best practices suggest this role may be suited for Risk Management function in the organization.

Recommendation:

We recommend management minimize the number of employees that have been tasked with filing claims by consolidating the Workers' Compensation administration.

Consolidate Public Works Admins

5. Multiple employees in the Public Works department are processing Workers' Compensation claims for their respective divisions within the department. This is inefficient as there are stretches of time when a division does not submit any claims. In addition, staff that have been tasked with processing claims are not confidential employees and do not receive training on data security (as detailed in item #3), increasing the risk to the City.

Recommendation:

We recommend executive management consolidate the Workers' Compensation administration for Public Works. (Recommendation is applicable if the consolidation as recommended in item #4 has not been implemented.)

Retain Records Minimally

6. Completed documents for Workers' Compensation administration are maintained in many locations by the multiple employees across the organization that administer the program such as physical filing cabinets, desktop computers, and shared drives with various states of access security. The third-party administrator's web-based platform is the system of records for Workers' Compensation forms and associated medical records with digital access as needed by the program's administrators. Emailing and/or keeping completed documents "just in case" circumnavigates the integrity of the system of records, a service the City of Reno pays for and receives from the service vendor. The security

and cybersecurity of employees' PII and PHI may be compromised with the current administration's methodology.

Recommendation:

We recommend the third-party administrator's web-based platform be accepted as the sole system of records for Workers' Compensation forms and associated medical records. In addition, we recommend the completed, duplicate documents be purged from their current storage locations, both physically and digitally.

Provide Training Periodically

7. Per inquiries with personnel tasked with administering claims, formal training has not been provided for the process. In addition, supervisory staff that are required to complete certain forms for the program may not be receiving training on a periodic and consistent basis. In the past few years, HR management initiated a Supervisory College including a Workers' Compensation component; however, that training has not been consistent and there is no documentation verifying those that may have attended. Without sufficient and periodic training, the consistency and correctness of claims submissions may be compromised.

Recommendation:

We recommend personnel tasked with Workers' Compensation administration and associated supervisory staff be provided program training periodically by a qualified subject matter expert and the successful completion of the training be documented and retained.

Return-to-Work Program

Return-to-work programs manage the associated work and adjustments for employees in the Workers' Compensation process. Modified work assignments are provided to employees that, due to limitations arising from a work-related injury, are unable to perform their full-duty work as notated by a medical professional. Modified/Light-duty work is currently identified for affected employees by each department on a case-by-case basis. Best practices indicate implementing a robust light-duty work program which has the ability to benefit both the employee and the employer.

Enhance the Light-Duty Work Program

8. The current methodology for light-duty work assignments could be enhanced for greater productivity, greater organizational equity, and fiduciary conservation; in addition, current practices may be in conflict with Nevada Revised Statute (NRS) 616C.475.

Language precluding the employer from ordering light-duty work was added to the Reno Firefighters Local 731 International Association of

Firefighters bargaining agreement in 2005. Specifically, at the January 19, 2005 Reno City Council meeting the *Reno Firefighters Local 731 International Association of Firefighters for July 1, 2005 - June 30, 2010* was adopted. In this iteration of the collective bargaining agreement, the following language was added to Article 17 (a), "... no member shall be ordered to work light duty." Additional information on this agenda item including a staff report, detailed meeting minutes, nor a video were available for review and analysis.

Current practices may be in conflict with NRS; NRS 616C.475 Temporary Total Disability states, in part, "5. Payments for a temporary total disability must cease when: ... (b) The employer offers the employee light-duty employment or employment that is modified according to the limitations or restrictions imposed by a physician or chiropractor..." The language in section 5.b. was added in 1993 to this section, then NRS 616.5858.

Recommendation:

We recommend executive management determine the obligations of NRS as it relates to light-duty work assignments, remedy the conflict in the bargaining agreement as necessary, and enhance the light-duty work program for all City departments as applicable.

Implement Light-Duty Work Consistently

9. Audit fieldwork included an observation of a Workers' Compensations claims "working call." That specific discussion included an instance where an employee was released for light-duty work by a physician; however, that employee's supervisor told them to go home rather than coordinate for a light-duty assignment for the employee.

Lack of formal training including the City policy regarding light-duty work assignments may have contributed to the cause for this finding. Supervisory staff responsible for certain steps in the claims process may benefit from standard and consistent training as previously identified in audit finding #7.

Recommendation:

We recommend light-duty work be assigned to employees that have been released with medical documentation for a modified work assignment, consistent with identified program goals and best practices.

Measure Light-Duty Assignments

10. There is not a methodology in place to internally track the data for light-duty work assignments associated with the City's Workers' Compensation claims. The timekeeping and payroll application, *eSuite*

may be adjusted to track this information with minimal effort. Without data on light-duty work assignments, meaningful analyses and policy decisions become more difficult.

Recommendation:

We recommend the City measure light-duty work assignments to enhance the oversight and management of light-duty work.

Policies & Procedures

Process Agreements in Accordance with Policy

11. An agreement extension with third party administrator, CCMSI, is noncompliant with documented citywide policies. The one-year contract extension was signed by the HR Director for the period July 1, 2020 - June 30, 2021, is dated May 5, 2020. The annual base cost of the service is \$92,500; this exceeds the signature approval authority of departmental directors. In addition, the extension was not submitted internally to the City Clerk's Office for record retention purposes. Without knowledge of professional service contract extensions, the initiatives of the City Manager and Finance Director may be hindered. Additionally, City records may be incomplete when processed in noncompliance with documented citywide policies.

Standard operating procedures as outlined in the citywide policies include *Policy Memorandum #303-2019-4 ... (Purchasing #303)* which indicates, in part, "Professional service contracts between \$25,000 and \$100,000 require approval of the Finance Director or City Manager, or designees. In addition, citywide policy 104, *Contract and Agreements Execution*, whose purpose is "ensuring completeness of the City's archive in a timely manner" indicated the Office of the City Clerk is responsible for archiving the City's records.

Recommendation:

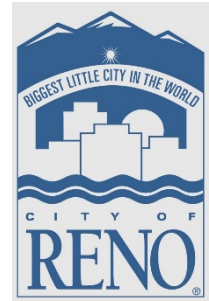
We recommend agreement extensions be approved by the level of management required per citywide policies. In addition, we recommend agreement extensions be submitted internally for record retention purposes and an update be considered for policy #104 regarding contract/agreement extensions.

Purge Excess Records

12. We were informed by some administrators that Workers' Compensation records on hand include completed forms that are more than 10 years old. Maintaining documents longer than the state's record retention requirements may increase the City's risk exposure. Citywide policy #103, *Records Management*, Section VIII.D Records Retention Schedules states, in part, "Retention Period for Public Records: All City of Reno records shall be retained and destroyed in accordance with the City's Record Retention Schedule."

Recommendation:

We recommend stored Workers' Compensation documents that are no longer reasonably necessary for the course of work and those that exceed the record retention requirements be disposed of and, going forward, documents be disposed of, in accordance with policy, on a rolling basis per the record retention schedules.



Findings' Conditions (condensed), Recommendations, and Management Responses

Enhance Security of Documents (Audit Findings #1-3):

Personal Identifying Information

1. The physical security and cybersecurity of employees' Personal Identifying Information (PII) may be compromised with the current administration's methodology.

We recommend physical security and cybersecurity surrounding the collection, distribution, and retention of Personal Identifying Information be enhanced to meet current industry standards.

What measures are planned to address this finding?

An analysis of all employees who “touch” the workers’ compensation process will be undertaken. Human Resources and the Risk Manager will work to consolidate and minimize the number of people in each department that are involved in the process in order to minimize the sharing of PII. Departments that are frequent “users” of the Workers’ Compensation system will have an assigned person that will process these claims. Low use departments will be identified and a centralized person will be identified to share claim processing across these departments.

Procedures will be developed and employees will be trained regarding the safekeeping and protection of all PII and since the City is not the official record-keeper, all formal records will be housed through CCMSI and procedures will be developed around the destruction of duplicate records once the claim has been accepted or rejected by the third party administrator.

When will the measures be taken?

Policies and procedures relating to the processing and safeguarding of PII will be developed by the end of the first quarter of FY 22 (September 30, 2021). Training will then be provided by the end of the start of the third quarter of FY 22. (April 1, 2022)

Human Resources is in the process of hiring a Human Resources Technician that will have some oversight for the processing of claims in departments with minimal use. This person will be hired and trained by the beginning of the second quarter of FY 22 (October, 2021) and will then assume responsibility for processing these claims and securing PII accordingly.

Protected Health Information

2. The physical security and cybersecurity of employees' Protected Health Information (PHI) may be compromised with the current administration's methodology.

We recommend physical security and cybersecurity surrounding the collection, distribution, and retention of Protected Health Information be enhanced to meet current industry standards.

What measures are planned to address this finding?

An analysis of all employees who “touch” the workers’ compensation process will be undertaken. Human Resources and the Risk Manager will work to consolidate and minimize the number of people in each department that are involved in the process in order to minimize the sharing of PII. Departments that are frequent “users” of the Workers’ Compensation system will have an assigned person that will process these claims. Low use departments will be identified and a centralized person will be identified to share claim processing across these departments.

Procedures will be developed and employees will be trained regarding the safekeeping and protection of all PII and since the City is not the official record-keeper, all formal records will be housed through CCMSI and procedures will be developed around the destruction of duplicate records once the claim has been accepted or rejected by the third party administrator.

When will the measures be taken?

Policies and procedures relating to the processing and safeguarding of PII will be developed by the end of the first quarter of FY 22 (September 30, 2021). Training will then be provided by the end of the start of the third quarter of FY 22. (April 1, 2022)

Human Resources is in the process of hiring a Human Resources Technician that will have some oversight for the processing of claims in departments with minimal use. This person will be hired and trained by the second quarter of FY 22 (October, 2021) and will then assume responsibility for processing these claims and securing PII accordingly but no later than December 31, 2021.

Security Training

3. Per inquiries with multiple departmental liaisons involved in processing Workers’ Compensation claims, the delicate nature of employees’ Personal Identifying Information (PII) and Protected Health Information (PHI) was not apparent.

We recommend, once enhancements have been made regarding findings #1 and #2, formal training be provided to all employees that process Workers' Compensation claims as it relates to physical security and cybersecurity for the collection, distribution, and retention of Personal Identifying Information and Protected Health Information to meet industry best practices.

What measures are planned to address this finding?

Formal training must occur for those that enter or access data related to PII and PHI through the Workers' Compensation Process. Prior to creating it, Human Resources will work with CCMSI and the IT Department to determine if they have any applicable training. Target Solutions will also be evaluated. If no solutions exist, a customized training will be developed in concert with the TPA, CCMSI.

When will the measures be taken?

We are in the process of evaluating training possibilities at this time. The timing will be dependent on the product utilized. However, we would anticipate that this training will launch by November 30, 2021.

Consolidate Program Administration

4. Multiple employees across the organization have been tasked with filing claims and have access to Personal Identifying Information (PII) and Protected Health Information (PHI) for claims' remittance.

We recommend management minimize the number of employees that have been tasked with filing claims by consolidating the Workers' Compensation administration.

What measures are planned to address this finding?

Employees that have responsibility for filing claims with access to PII and PHI need to be limited to one per department. Human Resources will work to identify one point of contact for each department, in order to consolidate. Going forward, small departments with minimal WC claims will be processed via the Human Resources Technician once that position has been hired and trained appropriately.

When will the measures be taken?

The evaluation of all parties currently involved in WC claims will be completed by June 1, 2021 and each department will be asked to identify one point person as of July 31.

It is anticipated that the HR Technician will be able to assume processing for departments outside of Public Works, Fire and Police not later than September 30, 2021 once they have been hired and trained appropriately.

Consolidate Public Works Admins

5. Multiple employees in the Public Works department are processing Workers' Compensation claims for their respective divisions within the department.

We recommend executive management consolidate the Workers' Compensation administration for Public Works. (Recommendation is applicable if the consolidation as recommended in item #4 has not been implemented.)

What measures are planned to address this finding?

Human Resources and the Risk Manager will work with the Public Works Director to identify and train one party within the department to process all WC claims moving forward.

When will the measures be taken?

This timeframe is subject to negotiation with the Public Works Director, but it is anticipated that this function will be consolidated under one person by July 31, 2021.

Retain Records Minimally

6. Completed documents for Workers' Compensation administration are maintained in many locations by the multiple employees across the organization that administer the program such as physical filing cabinets, desktop computers, and shared drives with various states of access security.

We recommend the third-party administrator's web-based platform be accepted as the sole system of records for Workers' Compensation forms and associated medical records. In addition, we recommend the completed, duplicate documents be purged from their current storage locations, both physically and digitally.

What measures are planned to address this finding?

CCMSI is the official recordkeeper for all WC records. An SOP will be developed whereby all WC records will be destroyed upon submittal into the WC system and transference to CCMSI. This will include the destruction of all physical records. Employees with responsibility for processing WC claims will be trained on the new procedure and will have clear expectations regarding the minimal retention of records.

When will the measures be taken?

A new procedure relating to the retention of PII and PHI relating to the filing of WC claims will be developed by July 31, 2021 and all relevant employees will be trained no later than September 30, 2021.

Provide Training Periodically

7. Per inquiries with personnel tasked with administering claims, formal training has not been provided for the process.

We recommend personnel tasked with Workers' Compensation administration and associated supervisory staff be provided program training periodically by a qualified subject matter expert and the successful completion of the training be documented and retained.

What measures are planned to address this finding?

Annual training will be developed for all personnel tasked with WC administration and claims processing by either CCMSI or Human Resources. This training will be delivered to all parties on an annual basis.

Supervisory training for how to handle employee injuries will be developed as part of a comprehensive training program for all new supervisors.

When will the measures be taken?

Training for those responsible for WC Administration will be developed and implemented by December 31, 2021 and then repeated on an annual basis for any updates to the claims processing and/or administration process.

Supervisor training will be implemented by June 30, 2022 as part of a new supervisory development program. This will allow for the Training and Development Manager to be hired, get up to speed, determine priorities and put together a comprehensive program for all parties.

Enhance the Light-Duty Work Program

8. The current methodology for light-duty work assignments could be enhanced for greater productivity, greater organizational equity, and fiduciary conservation; in addition, current practices may be in conflict with Nevada Revised Statute (NRS) 616C.475.

We recommend executive management determine the obligations of NRS as it relates to light-duty work assignments, remedy the conflict in the bargaining agreement as necessary, and enhance the light-duty work program for all City departments as applicable.

What measures are planned to address this finding?

All departments and bargaining units within the City currently participate in an informal light/modified duty program with the exception of the IAFF. The City is currently in contract negotiations with IAFF and one of the primary goals of the City during these negotiations is to include the light/modified duty language that is contained in the Fire Management Contract into the IAFF contract.

The City Attorney's Office will be asked to provide an opinion concerning the conflict between NRS 616C.475 and the current language in the IAFF contract.

Risk Management, in collaboration with Human Resources, will develop a formal program for light/modified duty across the City to provide for organizational equity, fiscal conservation and enhanced productivity. This program will also encompass a formalized interactive process to address employees with permanent restrictions and limitations.

When will the measures be taken?

If the City is successful in negotiating light/modified duty language into the IAFF contract, the implementation is scheduled for July 1, 2021.

Creation and implementation of a City wide light/modified duty program will be implemented by July 1, 2022. This timeframe will allow for the hiring of a Human Resources Director and any union negotiations or meet and confer sessions that may be needed with the City's various unions.

Implement Light-Duty Work Consistently

9. Audit fieldwork included an observation of a Workers' Compensations claims "working call." That specific discussion included an instance where an employee was released for light-duty work by a physician; however, that employee's supervisor told them to go home rather than coordinate for a light-duty assignment for the employee. Lack of formal training including the City policy regarding light-duty work assignments may have contributed to the cause for this finding. Supervisory staff responsible for certain steps in the claims process may benefit from standard and consistent training as previously identified in audit finding #7.

We recommend light-duty work be assigned to employees that have been released with medical documentation for a modified work assignment, consistent with identified program goals and best practices.

What measures are planned to address this finding?

Please see responses to Audit Findings #7 & #8. In addition, a memo will be distributed by the Human Resources Director reminding all Department Directors that it is the policy of the City to provide light/modified duty within the injured employees department whenever possible. If a Department Director determines the department is unable to provide work within the employee's limitations and restrictions, they are to immediately notify the Human Resources Work Comp Administrator to discuss potential light/modified duty assignments within the department or in other departments throughout the City. The employee's salary and benefits will continue to be paid by their home department during the term of their light/modified duty assignment.

When will the measures be taken?

This measure will be implemented by July 1, 2021.

Measure Light-Duty Assignments

- 10.** There is not a methodology in place to internally track the data for light-duty work assignments associated with the City's Workers' Compensation claims.

We recommend the City measure light-duty work assignments to enhance the oversight and management of light-duty work.

What measures are planned to address this finding?

Please see response to #9.

A reminder will be sent to all payroll clerks and supervisors to utilize the light/modified duty code for all employees working light/modified duty.

The Claims Administrator will notify the Human Resources Workers Compensation Administrator of any employee that has been released with restrictions/modifications that receives TTD. This will allow for the Workers Compensation Administrator to immediately contact the department to ascertain the reasons for not accommodating the employee and to remind of the procedures outlined in #9. In addition, the Claims Administrator will provide a report showing all individuals, by department, who are receiving TTD that have been released to light/modified duty with restrictions, the date the employee was released to light duty and the amount of TTD paid after they were released to light duty. This report can be utilized for retraining and to identify any trends by department or division.

When will the measures be taken?

These measures will be implemented by July 1, 2021.

Process Agreements in Accordance with Policy

- 11.** An agreement extension with third party administrator, CCMSI, is noncompliant with documented citywide policies. In addition, the extension was not submitted internally to the City Clerk's Office for record retention purposes.

We recommend agreement extensions be approved by the level of management required per citywide policies.

What measures are planned to address this finding?

The current CCMSI contract is up for renewal on June 30, 2021. This contract will be processed in accordance with the City's purchasing policies and appropriate signature authority by the Risk Manager

When will the measures be taken?

The processing of this contract utilizing the appropriate City protocols and procedures will occur no later than June 30, 2021 in order to ensure the renewal is done correctly and in a timely manner.

In addition, we recommend agreement extensions be submitted internally for record retention purposes and an update be considered for policy #104 regarding contract/agreement extensions.

What measures are planned to address this finding?

All future contract extensions or new contracts will be submitted via the appropriate procedures. Per Policy 104, the renewal of the CCMSI contract or future renewals, extensions, etc. will be agendized as required by policy and routed with the appropriate signature authority.

When will the measures be taken?

These changes occurred April 2021.

Purge Excess Records

- 12.** We were informed by some administrators that Workers' Compensation records on hand include completed forms that are more than 10 years old.

We recommend stored Workers' Compensation documents that are no longer reasonably necessary for the course of work and those that exceed the record retention requirements be disposed of and, going forward, documents be disposed of, in accordance with policy, on a rolling basis per the record retention schedules.

What measures are planned to address this finding?

There is no need for the City to hold on to records relating to Workers Compensation as CCMSI is the record-keeper of record with respect to WC claims. However, there is not a clear understanding of how long CCMSI has records dating back and whether they have 10 years' worth of data.

When will the measures be taken?

The records retention schedule relating to WC claims will be evaluated and all unnecessary records will be purged by January 31, 2022 in accordance with the schedule.

Scope

The audit scope included a review of the Workers' Compensation process and associated agreements and policies that were in place during the audit fieldwork, October through December 2020.

Methodology

The audit review included examination of agreements and extensions, an evaluation of best practices for Workers' Compensation programs and procedures, multiple inquiries with key personnel across the organization, and other auditing procedures as was considered necessary. Conclusions were reached by:

- Comparing practices to documented policies and procedures for compliance;
- Reviewing financial records and other documentation related to the program;
- Evaluating the practices in place compared to best practices for Workers' Compensation programs; and
- Evaluating the risk of fraud, waste, and abuse relative to the audit objectives.

Audit Standards

We conducted this audit in accordance with standards of The Institute of Internal Auditors, sans Standards 1310-1 through 1321. Standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.