

DISTRICT OF COLUMBIA OFFICE OF THE INSPECTOR GENERAL

OIG Project No. 14-1-27RK

October 2016



OFFICE OF RISK MANAGEMENT:

MANAGEMENT OVERSIGHT OF THE PUBLIC SECTOR WORKERS'
COMPENSATION PROGRAM IS NOT ADEQUATE



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* Diversity * Measurement * Continuous Improvement*

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- inform stakeholders about issues relating to District programs and operations; and
- recommend and track the implementation of corrective actions.

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Excellence * Integrity * Respect * Creativity * Ownership
* Transparency * Empowerment * Courage * Passion
* Leadership





OIG

Why the OIG Did This Audit

The Office of the Inspector General (OIG) conducted a re-audit of the *District of Columbia Employee Disability Compensation Program* (OIG No. 06-1-07BG), now called the Public Sector Workers' Compensation Program (workers' compensation program), to determine whether rules published by the District of Columbia concerning the termination, suspension, and reduction of workers' compensation benefits for District employees are being followed. As such, our objectives were to: (1) evaluate the adequacy of the process for granting, paying, and administering workers' compensation claims; (2) assess the adequacy of internal controls over the claims process; and (3) evaluate the adequacy of management over case file documentation to support underlying claims data.

What the OIG Recommends

We directed three recommendations to the Chief Risk Officer to address the deficiencies identified during the audit. The recommendations focus on strengthening oversight and management controls over the workers' compensation program.

OFFICE OF RISK MANAGEMENT:

Management Oversight of the Public Sector Workers' Compensation Program Is Not Adequate

What the OIG Found

The Office of Risk Management (ORM) paid workers' compensation claims in accordance with District laws, rules and regulations. However, ORM did not ensure the claims administrator issued a timely determination for workers' compensation claims or assign a telephonic nurse case manager in accordance with contract requirements. For example, for 15 of the 50 fiscal year (FY) 2014 claims reviewed, the claims administrator did not issue an initial Notice of Determination (NOD) within 30 days. Additionally, the claims administrator did not hire and retain qualified staff to perform all contract requirements. As a result, ORM is at risk of not being able to return injured employees to work in a timely manner and reduce the overall costs associated with the workers' compensation program.

ORM performed quarterly audits of the claims administrators' performance as recommended in our prior audit, but ORM did not conduct one audit in a timely manner as required by the contract. For example, the fourth quarter 2014 performance audit that should have been conducted by January 2015 was not conducted until May 2015. Without allocating the appropriate number of staff to conduct timely audits, ORM cannot effectively assess the administration of the contract and establish measures to ensure performance goals are met consistently. ORM also has not implemented effective controls to verify that recipients are not receiving unemployment, retirement benefits, or other excluded compensation while receiving workers' compensation payments. Although ORM's contract with its current claims administrator requires a link between the administrators' claims management system and the District's payroll system, Agency officials told us the claims administrator did not have the required technology resources to make the link. As a result, the District continues to be at risk of making inaccurate workers' compensation payments.

ORM did not enforce contract requirements so the claims administrator could adequately manage workers' compensation case files. Our review of the 50 claims received in FY 2014 identified missing and incomplete documentation in the following areas: (1) report of injury investigations; (2) Insurance Services Office (ISO) reports; (3) claims examination; and (4) claims management. As a result, the claims administrator missed opportunities to return employees to work and failed to move claims to closure or remove employees from the workers' compensation program.

GOVERNMENT OF THE DISTRICT OF COLUMBIA
Office of the Inspector General



Inspector General

October 17, 2016

Jed Ross
Chief Risk Officer
Office of Risk Management
One Judiciary Square
441 4th Street N. W., Suite 800 South
Washington, D.C. 20001

Dear Chief Risk Officer Ross:

Enclosed is our final audit report entitled *Office of Risk Management: Management Oversight of The Public Sector Workers' Compensation Program Is Not Adequate* (OIG No. 14-1-27RK). ORM concurred with our three recommendations and outlined actions that it believes meet the intent of our recommendations. We consider recommendation 1(b) open, and will close pending additional information as described in your response dated October 5, 2016. However, we consider recommendation 2 unresolved and open, pending information on the specific actions and timeframes your office plans to take to address the recommendation. We request that ORM provide OIG the requested information within 30 days of the date of the final report. We conducted this audit from February 2015 to September 2016 in accordance with generally accepted government auditing standards.

We appreciate the cooperation and courtesies extended to our staff during this audit. If you have any questions concerning this report, please contact me or Toayoa Aldridge, Assistant Inspector General for Audit, at (202) 727-2540.

Sincerely,

A handwritten signature in blue ink, appearing to read "D. Lucas", is written over the printed name of Daniel W. Lucas.

Daniel W. Lucas
Inspector General

DWL/tag

Enclosure

cc: See Distribution List

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ACRONYMS AND ABBREVIATIONS

CMPA	Comprehensive Merit Personnel Act
DCMR	District of Columbia Municipal Regulations
FY	Fiscal Year
ISO	Insurance Services Office
NOD	Notice of Determination
OIG	Office of the Inspector General
OPM	Office of Personnel Management
OPRS	Office of Pay and Retirement Service
ORM	Office of Risk Management
TCM	Telephonic Nurse Case Managers
TPA	Third Party Administrator

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BACKGROUND

Workers' compensation is a system of benefits provided by law for workers who have job related injuries or illness. The Comprehensive Merit Personnel Act (CMPA)¹ established the District's Disability Compensation program to pay compensation to District employees (or their surviving beneficiaries) injured or killed while performing official government duties, excluding uniformed police and fire personnel. ORM took over the administrative operations of the disability compensation program in fiscal year (FY) 2004.

The District's Disability Compensation program became the workers' compensation program in 2011. The workers' compensation program is a comprehensive, statutorily mandated, self-insured program administered through a third party, which covers approximately 30,000 employees. The main objective of the workers' compensation program is to respond to work place injuries with the most appropriate and best medical care available at a reasonable cost. The workers' compensation program provides lost wages, vocational rehabilitation, compensation for the loss of the use of a body part, medical benefits, and death benefits for the employee's surviving beneficiaries.

In July 2013, the D.C. Office of Contracting and Procurement awarded a contract for a third party administrator (TPA) to serve as the claims administrator for ORM and provide timely and appropriate processing of claims, ensure appropriate medical and related services, and disburse workers' compensation payments to eligible employees. The claims administrator also provides ORM with claims examination, claims management, medical management, telephonic nurse case management (TCM), vocational rehabilitation services, additional medical examinations, utilization reviews, investigations, litigation support, and subrogation.² The new claims administrator began full claims administration in November 2013.

ORM is responsible for the oversight, supervision, and administration of the workers' compensation program. The contract provides ORM specific mechanisms to monitor the performance of the claims administrator. These mechanisms include but are not limited to conducting quarterly performance audits of the claims administrator; requiring the claims administrator to provide written action plans for deficiencies found during the performance audit, and using the results of audit to enforce performance-based incentives and disincentives. In addition, the contract allows ORM to consider the claim administrator in default for failing to achieve acceptable performance score in two consecutive quarters.

¹ District of Columbia Government Comprehensive Merit Personnel Act of 1978 (D.C. Law 2-139, eff. Mar. 3, 1979).

² Section C.3.28 of the contract refers to "subrogation" as: a "principle of law that enables the Public Workers' Compensation Program, after paying a loss to its employee, to recover the amount of the loss from another party who is legally responsible for it. It is the assumption by the PSWCP of the employee's legal right to collect a debt or damages from a third party."

OBJECTIVES, SCOPE, AND METHODOLOGY

We conducted this audit in accordance with generally accepted government auditing standards. Those 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.

The audit objectives were to: (1) evaluate the adequacy of the process for granting, paying, and administering workers' compensation claims; (2) assess the adequacy of internal controls over the claims process; and (3) evaluate the adequacy of management over case file documentation to support underlying claims data. We conducted this audit from February 2015 to September 2016.

During the fieldwork of the audit, ORM denied OIG auditors direct access to workers' compensation claim data due to privacy and confidentiality concerns covered in the Health Insurance Portability and Accountability Act regarding personally identifiable information. ORM stated that if it granted OIG access to the workers' compensation database the claim administrator's management system could not limit the amount of personal and confidential medical information.³ As such, the audit was on hold from June 2015 to September 2015. An ORM claim specialist accessed the records and provided us data deemed confidential. This lack of access to the workers' compensation database and extensive negotiations for access significantly delayed the audit and prevented us from conducting full and complete testing of claim files.

We used the Audit Command Language software to select a random sample of 50 claims from the universe of 1,165 worker's compensation claims received by ORM in FY 2014 to review and test the adequacy of workers' compensation case file documentation to support underlying claims data. The sample included 27 indemnity claims, 20 medical only claims, and 3 records only claims.

To accomplish our objectives we reviewed: (1) applicable laws, rules and regulations governing the administration, termination, suspension, and reduction of benefits for employees of the District's Workers' Compensation Program; (2) relevant prior audit reports from our office and other government entities; (3) contract agreement between ORM and the Claims Administrator; and (4) 50 workers' compensation claims to verify if ORM continuously monitored claimants, managed and processed claims in a timely manner, and provided effective management of open and closed claim files.

³ Pursuant to authority granted by D.C. Code § 1-301.115a, the Inspector General shall have access to the books, accounts, records, reports, findings, and all other papers, items, or property belonging to or in use by all departments, agencies, instrumentalities, and employees of the District government, including agencies which are subordinate to the Mayor, independent agencies, boards, and commissions, but excluding the Council of the District of Columbia, and the District of Columbia Courts, necessary to facilitate an audit, inspection or investigation.

We also interviewed ORM's and Claims Administrator's officials to gain an understanding of the workers' compensation claims process. Specifically, we met with ORM employees who provide oversight over the workers' compensation program, including program manager/contract administrator, attorney, claim specialists, compliance review officer, and return-to-work officer. Additionally, we interviewed the claims administrator staff involved with the management, administration, and operations of the workers' compensation claims process, such as the operations manager, claim supervisors, senior claim adjusters, and the telephonic nurse case managers. We verified referred cases with the Office of the Attorney General.

We relied on computer-processed data from the Claims Administrator's system for detailed information on workers' compensation claims. Although we did not perform a formal reliability assessment of computer-processed data, we validated the data by reviewing supporting source documentation.

FINDINGS

ORM'S PROCESS FOR PAYING WORKERS' COMPENSATION CLAIMS ALIGNS WITH REQUIREMENTS, BUT THE PROCESS FOR GRANTING AND ADMINISTERING WORKERS' COMPENSATION CLAIMS IS NOT ADEQUATELY MANAGED

ORM paid workers' compensation claims in accordance with District laws, rules and regulations. However, ORM did not ensure the claims administrator issued a timely determination for workers' compensation claims or assigned a TCM in accordance with contract requirements.

ORM Paid Workers' Compensation Claims in Accordance With Requirements

ORM paid workers' compensation claims in accordance with District laws, rules, and regulations. Employees are eligible to receive workers' compensation if their lost time from work exceeds two weeks. In order for employees to receive workers' compensation, the employee must submit proper wage information, such as a pay stub and medical documentation verifying the injury and an employee cannot receive compensation from other district government sources. Out of the 50 claims reviewed, we found that 7 claims qualified for workers' compensation payments and ORM properly paid the 7 workers' compensation claims and none of the employees received any other type of salary or pay from other District government sources while receiving workers' compensation benefits in FY 2014. For the remaining 43 claims, workers' compensation payments did not apply.

ORM Did Not Ensure Notices of Determination to Grant or Deny Workers' Compensation Claims Were Issued in a Timely Manner, or Enforce Requirements Related to TCMs

ORM did not ensure that the claims administrator issued Notices of Determination⁴ (NOD) for workers' compensation claims within established timeframes. In accordance with District regulations, the workers' compensation program is required to make an initial determination on each claim within 30 days of the date the claim was first reported to the claims administrator. The claims administrator then decides to accept (grant), reject, or controvert the claim, which is to hold the claim open due to insufficient information. For 15 of the 50 FY 2014 claims reviewed, the claims administrator did not issue an initial NOD within 30 days, and for 1 claim, did not issue NOD at all.

In addition, ORM did not issue second NODs in a timely manner. District regulations require that the workers' compensation program issue a second NOD to notify the employee that he or she has 15 days to submit the missing information or documentation to the claims administrator, in the event that the injured worker did not submit sufficient information, workers' compensation forms, or the healthcare provider did not provide complete medical documentation. For 33 claims, we found that the claims administrator did not issue timely second NODs for 23 claims and did not issue a second NOD at all for 10 claims.

ORM did not ensure that the claims administrator assigned TCMs in accordance with contract requirements. The contract requires a TCM to:

- be assigned to all cases where an employees' lost time from work exceeds 2 weeks;
- upon receipt of a case assignment, contact the employee within 1 business day and contact the employer within 2 business days; and
- provide reports with an action plan related to the employee's needed medical services (at least) every 30 days.

Our review of 50 workers' compensation claims found that the claims administrator did not:

- assign a TCM in accordance with contract requirements for 5 cases;
- contact the employee and employer within established timeframes for 4 cases; and
- provide reports with action plans related to the employee's medical services every 30 days for 4 cases.

These conditions occurred because the claims administrator did not hire and retain qualified staff to perform all contract requirements. As a result, ORM is at risk of not being able to timely return injured workers to work and reduce the overall costs associated with the workers' compensation program.

⁴ According to the contract, Notice of Determination is a written notice advising a claimant that his or her claim has been accepted or that benefits are being denied, terminated, modified, or suspended.

ORM DID NOT IMPLEMENT ADEQUATE CONTROLS TO CONDUCT TIMELY PERFORMANCE AUDITS OF THE CLAIMS ADMINISTRATOR AND ENSURE WORKERS' COMPENSATION RECIPIENTS ARE PAID ACCORDINGLY

ORM performed quarterly audits of the claims administrators' performance as recommended in our prior audit, but one audit was not conducted in a timely manner as required by the contract. As of January 2016, ORM had not implemented effective controls to verify that recipients are not receiving unemployment, retirement benefits, or other excluded compensation while receiving workers' compensation payments.

ORM Did Not Conduct a Timely Performance Audit of the Claims Administrator's Compliance with the Contract

ORM conducted quarterly performance audits of the claims administrator's compliance with the terms of the contract as recommended in our prior audit, but did not conduct one audit in a timely manner. The contract requires ORM to conduct a performance audit of a random sample of claims to assess the claims administrator's capabilities for claims management, supervision, and investigation, among other things. The audits should be conducted every 3 months or calendar quarter within 10 business days of the end of the quarter and conclude in no more than 15 business days thereafter.

We reviewed the 2014 quarterly performance audits of the claims administrator and found that ORM did not conduct the fourth quarter audit within the timeframes established by the contract. Although the claims administrator was required to conduct the fourth quarter 2014 performance audit by January 2015, it was not conducted until May 2015. According to ORM officials, the claims specialists responsible for conducting the audits were involved in a litigation project for over four months, thereby delaying the audits of hundreds of claims. Without timely audits, ORM cannot effectively assess the administration of the contract and establish measures to ensure performance goals are met consistently.

ORM Has Not Implemented Effective Controls to Ensure Workers' Compensation Recipients Are Not Receiving Unemployment, Retirement Benefits, or Other Excluded Compensation While Receiving Workers' Compensation Payments

ORM has not implemented effective controls to ensure that recipients are not receiving unemployment, retirement benefits, or other excluded compensation while receiving workers' compensation payments. The D.C. Code requires that (with limited exceptions) an employee receiving workers' compensation may not receive any other type of salary or pay from other District government sources. In 2007, OIG recommended that ORM perform quarterly verification checks of workers' compensation recipients by reviewing the Office of Pay and Retirement Services (OPRS) payroll records available from the U.S. Office of Personnel Management (OPM) for the civil service retirement system to detect employees receiving other income or compensation prohibited by District laws and regulations. (*See Appendix A for the status of our prior audit recommendation #2*).

ORM generally agreed with our prior audit recommendations and stated that the agency would:

- (1) Coordinate with the Office of the Chief Technology Officer and the Office of the Chief Financial Officer to establish a link between the District's financial accounting and payroll system to eliminate duplicate (over) payments to employees; and
- (2) Attempt to develop protocols to address any issues regarding payment of disability and retirement benefits and implement all procedures by FY 2008.

In its 2013 contract with the new claims administrator for the workers' compensation program, ORM would be responsible to take over the workers' compensation payment process using the District-wide PeopleSoft system. The contract required the claims administrator to calculate and transmit data from the Claims Management System to the District's payroll system daily. However, ORM has not linked the District's payroll system and the Claims Management System to check for payment of other District income. The process was scheduled to occur during the first quarter of FY 2013, but as of January 2016, the process had not been implemented.

ORM has implemented other controls to verify whether injured workers received income from other District sources. ORM officials informed us that the Agency implemented an internal policy that requires employees to self-report by submitting an Affidavit of Earnings statement to determine if injured workers receive additional earnings. Additionally, ORM hired a compliance officer to review potential overpayments. Despite these efforts, ORM still referred six cases to the D.C. Office of the Attorney General to recoup money from workers' compensation recipients who were overpaid in FY 2014 (*See Appendix A for the status of our prior audit recommendation #4*).

ORM officials told us that the link between the Districts' payroll system and the Claims Management System has not been made because the claims administrator did not have the required technology. As a result, the District continues to be at risk of making inaccurate workers' compensation payments.

ORM DID NOT ENSURE THAT THE CLAIMS ADMINISTRATOR ADEQUATELY MANAGED WORKERS' COMPENSATION CASE FILE DOCUMENTATION

ORM did not enforce contract requirements so the claims administrator could adequately manage workers' compensation case files. Our review of the 50 claims received in FY 2014 identified missing and incomplete documentation in the following areas: (1) report of injury investigations; (2) ISO reports; (3) claims examination; and (4) claims management.

Report of Injury Investigations

The claims administrator did not thoroughly conduct and document injury investigations. After an injury is reported to ORM, the claims administrator is required to conduct an investigation by: (1) contacting the employee, employer, and healthcare provider (3-point contact) within 24 hours or make reasonable attempts; (2) obtaining recorded statements; and (3) documenting the case files. Although the claims administrator documented investigations in the case files, we found

that the 3-point contacts on 44 of the 50 claims reviewed were not made in a timely manner, or not made at all. For example, in some instances we found that only 2 of the 3 contacts were made and in other instances, the investigation was not conducted within 24 hours and documented in the case files.

Insurance Services Office Reports

The claims administrator is required to research past claims information and document all ISO reports, including all former claims, if any, and injuries reported from those claims in the case file. This is necessary to determine if the work injury is related to a prior injury or former claim. The claims administrator did not conduct searches to obtain ISO reports for 23 of the 50 claims we reviewed. Although, the case file notes stated that reports were obtained for the remaining 27 claims, ORM could only provide ISO reports for 8 of those claims.

Claims Examination

The claims administrator did not document plans for closing out claims in accordance with contract requirements. The claims adjuster is required to develop and maintain a 30-day diary and a plan of action with a timeline and review the diary no later than 90 days. A diary is a chronological record or journal of all events, actions, or observations kept at frequent intervals and used as an organizational tool to help adjusters manage and review all their files. A plan of action with a timeline is a detailed and concise outline indicating a course of action to bring the claim to resolution. The plan of action should be included in every diary and aggressively followed to bring the claim to closure. The claims adjuster must include this information in the claims file.

Out of the 50 claims reviewed, we found that 40 claims did not have a plan of action with a timeline developed by the claims adjuster to move the claim to closure and 25 claims did not have a 3-day diary performed by the claims adjuster. In addition, 17 claim diaries were conducted after the 30-day requirement and 7 of the 17 claim diaries exceeded 90 days.

Claims Supervision

ORM did not ensure that the claims supervisors documented supervisory oversight. The claims supervisor is required to: (1) document his/her review of the case file no later than 30 days after the initial setup of the claim; and (2) clearly document in the case files every 60 days an entry to direct the adjuster on how to move the claim to closure. Claims supervisors did not document supervisory review of the initial setup of files for 28 of the 50 claims. In addition, claims supervisors did not document or clearly document how to move the claim to closure for 45 of the 50 case files reviewed.

Because ORM did not exercise sufficient management oversight to ensure that the claims administrator reviewed diaries, developed action plans to move the claim to closure, and provided adequate supervisory oversight, the claims administrator missed opportunities to return employees to work. As a result, the agency failed to move claims to closure or remove employees from the workers' compensation program (*See Appendix A for the status of our prior audit recommendation #1*).

CONCLUSION

Workers' compensation provides wage replacement and medical benefits to employees injured during the course of employment. Although ORM is paying workers' compensation claims in accordance with requirements, it is not providing effective oversight of its claims administrator contract. Without adequate controls in place to ensure the claims administrator issues timely NODs, conducts timely performance audits, verifies claimants are not receiving other District income, and properly manages claims files, the Agency risks not returning employees to work in a timely manner, which puts District taxpayer dollars at risk of fraud, waste, and abuse.

RECOMMENDATIONS

We recommend that the Chief Risk Officer, ORM:

1. Enforce the terms and conditions of the contract agreement by ensuring that the claims administrator:
 - a. Provide the necessary staffing to perform adequate case management of the workers' compensation program, including issuing timely NODs, proper assignment of TCM to cases, documenting report of injury investigations, obtaining ISO reports, documenting claims examination, and providing adequate claims management.
 - b. Acquire the necessary technology to implement the conversion between the District's Payroll System and claims management system to allow system transfer of workers' compensation payment data between the two systems to ensure accuracy of indemnity payments and prevent overpayments.
2. Identify and allocate resources to ensure a performance audit of the claims administrator is conducted within 10 business days of the end of the quarter.
3. Take necessary actions to enforce contract terms in accordance with District standard contract provisions, including a determination of whether the claims administrator is in default and whether the contract should be terminated in whole or in part.

AGENCY COMMENTS AND OFFICE OF THE INSPECTOR GENERAL RESPONSE

We provided ORM with our draft report on September 21, 2016 and received its response on October 5, 2016, which is included as Appendix B to this report. ORM concurred with our three recommendations and outlined actions and target completion timeframes that it believes meet the intent for two of our recommendations. ORM's response and actions meet the intent of recommendations 1(a) and 3, therefore we consider these recommendations resolved and closed. ORM's response and actions meet the intent of recommendation 1(b) and we consider this recommendation resolved, but open pending final implementation of planned actions.

Regarding recommendation 2, ORM did not address how it will identify and allocate resources to ensure performance audits of the claims administrator are conducted in accordance with the contract. We consider this recommendation unresolved and open pending receipt of actions and timeframes to address the recommendation. Therefore, we request that ORM provide this additional information.

ACTIONS REQUIRED

We consider recommendation 1b resolved and open and recommendation 2 unresolved and open, pending additional information as described above. We request that ORM reconsider its responses and provide the OIG the requested information within 30 days of the date of this final report.

APPENDIX A. STATUS OF PRIOR AUDIT RECOMMENDATIONS

Recommendations	Status Based on Re-audit	Brief Synopsis of Current Audit Results
1. Conduct one time review of all open claims to prioritize and identify cases where additional case management efforts could return them to work or remove them from Disability Compensation Program.	Not Implemented	ORM did not ensure that claim supervisors conduct adequate and timely reviews of open claims to prioritize and identify cases where additional case management efforts could return claimants to work or remove them from the workers' compensation program. We sampled and reviewed 50 claims and found that the claim supervisors did not review and monitor 28 claims, nor were they reviewed every 30-60 days. The supervisor reviewed the remaining 22 claims but 17 of the 22 claims files were not reviewed in a timely manner. <i>See finding number 3 under Claim Supervision for further discussion.</i>
2. Perform quarterly verification checks of disability compensation recipients by reviewing OPRS payroll records available from OPM for the civil service retirement system.	Not Implemented	According to ORM officials, ORM did not verify if disability compensation recipients receive unemployment or retirement while receiving workers' compensation payments by reviewing the OPRS payroll records available from OPM for the civil service retirement system nor the D.C. Department of Human Resources' PeopleSoft payroll system. <i>See finding number 2 under ORM Has Not Implemented Effective Controls for further discussion.</i>
3. Immediately refer all cases of employees who improperly received dual payments to the OIG Investigations Division in accordance with Sections 1803.8 - .9 of the District Personnel Manual.	Implemented	The District Personnel Manual (DPM) has been revised and DPM §§ 1803.8 & .9 have been removed. However, 7 DCMR § 142.6 stipulates that if ORM believes the overpayment occurred as a result of fraud or other criminal activity on the part of the claimant, ORM shall refer the matter to the Office of the Inspector General, the United States Attorney's Office, or another appropriate law enforcement entity. ORM chose to refer cases of overpayments to the Office of Attorney General (OAG.) We confirmed that the OAG received referrals from ORM in FY 2014.
4. Prior to initiating disability compensation payments, require claimants to acknowledge in writing that they understand that DC law prohibits receipt of salary or other compensation and failure to do so could result in administrative action and criminal prosecution.	Not Implemented	ORM did not: (1) have a written policy requiring claims specialists to inform claimants about the DC law that prohibits receipt of salary and other compensation (i.e. overpayments); and (2) require claimants to acknowledge in writing that they understand the D.C. law that prohibits receipt of other salary or compensation. Although, the Initial Notice of Determination contains a warning about providing false or misleading information to the District of Columbia government or to any department or agency, the warning does not state that while an employee is receiving compensation, he or she may not receive salary, pay, or remuneration of any type from the District of Columbia. ORM does not require written acknowledgement that claimants understand that D.C. law prohibits receipt of any other compensation. <i>See finding number 2 under ORM Has Not Implemented Effective Controls for further discussion</i>

APPENDIX A. STATUS OF PRIOR AUDIT RECOMMENDATIONS

Recommendations	Status Based on Re-audit	Brief Synopsis of Current Audit Results
5. Immediately begin performing quarterly performance audits of TPA as required by the contract and use the audit results to enforce the incentive and disincentive provisions in the TPA contract.	Implemented	ORM claim specialists conduct audits of the claim administrator’s performance; however, a performance audit was not conducted in a timely manner and in accordance with the contract. We found that ORM did not conduct the fourth quarter within 10 business days at the end of the quarter; and therefore, ORM did not comply with Section B.4.2 of the contract.
6. In the initial determination notice, include the claimant’s benefits that would continue while the claimant receives disability compensation.	Implemented	ORM included types of benefits that would continue while the claimant receives workers’ compensation in the Initial Notice of Determination for Benefits under the section titled “Initial Decision Awarding Benefits.” The Notice of Determination for Benefits also indicates the calculated average pay for a period of 21 days and the biweekly payment amount until the employee returns to work.
7. Notify claimants in writing of any changes to their disability payments, such as cost of living increases and increases in health and life insurance premiums.	Implemented	ORM issues a Benefit Change Letter to claimants notifying them in writing of changes in their health benefit rates.
8. Provide claimants with a record that shows the pay deductions for health and life insurance benefits.	Implemented	<p>Although the claims administrator does not provide the breakdown of deductions on a biweekly basis, the claims administrator provides a Change of Benefits letter to all employees with any type of deductions outlining any change to their prior deduction amounts at the beginning of each calendar year. For employees receiving benefits for the first time from the agency during the course of the year, a Start and Resumption notice is sent to the employees with a breakdown of their benefits.</p> <p>The claims administrator stated that beginning on February 1, 2016, each injured worker receiving benefits would receive a notification in the mail detailing the deductions taken out of each benefit check. The biweekly notifications will be in the form of separate mailings until benefits information can be uploaded to the claims management system in connection with the data entry project. Once the data entry project is completed, health and welfare benefits deductions will appear on each injured worker’s check and direct deposit payment stub.</p>

APPENDIX B. ORM'S RESPONSE TO THE DRAFT REPORT



GOVERNMENT OF THE DISTRICT OF COLUMBIA
OFFICE OF RISK MANAGEMENT



Jed Ross
Chief Risk Officer

October 5, 2016

Daniel W. Lucas
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717 14th Street, NW
Washington, DC 20005

Re: Draft audit report of Public Sector Workers' Compensation Program (OIG No. 14-1-27RK)

Dear Inspector General Lucas:

The recent audit of the Public Sector Workers' Compensation Program makes three recommendations regarding the administration of workers' compensation claims and oversight of the CorVel contract for Third Party Administration of the Program (TPA Contract). These recommendations have been addressed or are in the process of being resolved.

The primary recommendations relate to enforcement of the TPA Contract requirements to ensure adequate staffing to implement the scope of work, including the timely issuance and accurate calculation of benefits. Beginning November 2015, ORM has issued 256 surveillance observations of defective performance under the TPA Contract. Most of these deficiencies stemmed from inadequate or incompetent staffing and encompass matters addressed in your audit. As of August 1, 2016, CorVel has entirely replaced its management staff and increased the number of full-time claims adjusters and managers by 50 percent. In addition, CorVel has added a litigation support team consisting of four attorneys and one paralegal to assist in the NOD process, appeals and investigations of claims and taken other measures to come into compliance with the TPA Contract (such as the inclusion of ISO reports in each claim file). All of these measures were in response to the observances of defective performance issued to CorVel.

Measures have also been taken to prevent overpayments in the calculation of indemnity payments, as cited in the audit. In this regard, ORM is in the development and testing phase of integrating indemnity payments into Peoplesoft. The specific concerns noted in the audit regarding potential overpayments to injured workers who receive retirement and other benefits from the District should be resolved once the integration with Peoplesoft is completed by early 2017.

The District's Public Sector Workers' Compensation Program has experienced many administrative challenges since its inception. In addition to those already discussed, significant

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APPENDIX B. ORM'S RESPONSE TO THE DRAFT REPORT

administrative reforms are in the process of implementation that should ensure the timely delivery of benefits to injured workers and the reduction of fraud by those who attempt to abuse the system. ORM looks forward to continuing its relationship with your Office to prevent waste, fraud and abuse while increasing efficiencies in the delivery of benefits to the District's injured workers. My staff and I are always available to discuss initiatives and reforms to improve ORM's operations. ORM welcomes and appreciates our partnership.

Sincerely,



Jed Ross
Chief Risk Officer

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