Workers’ Compensation Program
Performance Audit

February 2012

Office of the Auditor
Audit Services Division
City and County of Denver

Dennis J. Gallagher
Auditor
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Bob Gibson, Manager of Cash Risk and Capital Funding  
Department of Finance  
City and County of Denver  

Dear Mr. Gibson:

Attached is the Auditor’s Office Audit Services Division’s performance audit report of the Workers’ Compensation Program (Program). The purpose of the audit was to assess the effectiveness of the Program and determine whether internal controls in place were adequate under the circumstances. The Workers’ Compensation Act mandates that all employers, both public and private, carry workers compensation insurance and are subject to the provisions in the law. With recent scrutiny over the Colorado workers’ compensation insurance industry, it is imperative that proper governance ensures our Program is administered in accordance with the law. We must foster a safe work environment while properly managing costs to the City.

Our audit determined the Program appears effective and has recently improved. However, certain elements of the workers’ compensation claims process are decentralized, leading to unclear roles and responsibilities. Our audit also revealed specific practices that hinder maximum efficiency and cost savings by the Program. The finding and recommendations presented in this report have identified areas for improvement. If you have any questions, please contact Kip Memmott, Director of Audit Services, at 720-913-5000.

Sincerely,

Dennis J. Gallagher  
Auditor

cc: Honorable Michael Hancock, Mayor  
Honorable Members of City Council  
Members of Audit Committee  
Ms. Janice Sinden, Chief of Staff  
Ms. Stephanie O’Malley, Deputy Chief of Staff  
Ms. Cary Kennedy, Chief Financial Officer  
Mr. Doug Friednash, City Attorney  
Mr. L. Michael Henry, Staff Director, Board of Ethics  
Ms. Janna Bergquist, City Council Executive Staff Director  
Ms. Beth Machann, Controller  
Mr. Ray Sibley, Director of Risk Management
AUDITOR’S REPORT

We have completed our performance audit of the Workers’ Compensation Program (Program). The purpose of the audit was to examine and assess the effectiveness of the Program and to identify possible inefficiencies and opportunities for improvement.

This performance audit is authorized pursuant to the City and County of Denver Charter, Article V, Part 2, Section 1, General Powers and Duties of Auditor, and was conducted 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 City’s workers’ compensation process is decentralized. Opportunities exist to strengthen certain elements of the decentralized process, which include clearly defining roles and responsibilities, enhancing Risk Management’s internal and external communication, and changing a CSA Rule to avoid overpayments. Our audit also revealed specific practices that hinder maximum efficiency and cost savings by the Program. In addition, conducting a cost benefit analysis of the services provided by contractors would be beneficial to the Program.

We extend our appreciation to the Risk Management personnel who assisted and cooperated with us during the audit.

Kip Memmott, MA, CGAP, CICA
Director of Audit Services
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*To promote open, accountable, efficient and effective government by performing impartial reviews and other audit services that provide objective and useful information to improve decision making by management and the people.

We will monitor and report on recommendations and progress towards their implementation.*
EXECUTIVE SUMMARY

While Effectively Governed Overall, Opportunities Exist to Enhance the City’s Workers’ Compensation Program

The City and County of Denver’s Workers’ Compensation Program (Program) appears to be effectively managed and focused on continuous improvement. Recent Program enhancements include better record keeping, improved personnel skill sets, compliance with rules and regulations, and implementation of a new employee time and leave accountability system. Further enhancements to address elements of the decentralized structure of the Program would result in increased efficiency.

Elements within the City’s Decentralized Workers’ Compensation Process need to be Clarified and Strengthened

Our audit identified a need for a policy change and inefficiencies resulting from unclear roles and responsibilities. The policy change we are recommending stems from the fact that workers’ compensation claimants may be eligible to receive more than 100 percent of their salaries while receiving workers’ compensation benefits. This practice is not in the best interest of the City and, as a result, a rule revision is necessary.

The audit also revealed inefficiencies in the Program. First, required claim documentation is not always submitted, efficient, or retained. For example, Supervisor Reports, which provide a documented account of the incident that led to an employee’s injury, are not always completed for workers’ compensation claims. Although completion of these reports is required by executive order, the City does not provide workers’ compensation training for supervisors. As a result, there is confusion regarding the roles and responsibilities related to ensuring that Supervisor Reports are completed. Second, the two units within the Risk Management Office do not effectively communicate with each other. This issue is exacerbated by a confused reporting structure. For example, both units conduct meetings with agencies to discuss issues related to the Program but the information from these meetings is not shared between units. In addition, staff involved in the daily workers’ compensation claims process may be aware of certain safety concerns when reviewing the claims but, due to the lack of communication, this information is not shared with the unit responsible for loss prevention. Therefore, the known concerns may not be addressed in a timely manner.

Changes to Certain Workers’ Compensation Practices can Result in Improved Efficiencies and Potential Cost Savings

Our audit also revealed specific practices that hinder maximum efficiency and cost savings by the Program. Specifically, the Denver Police Department employs a uniformed officer, rather than a civilian, to perform workers’ compensation duties. In addition, two of the contractors used by the Risk Management Office may not be cost effective. Lastly, certain fraud- and risk-prevention steps are not included in the organization’s policies and procedures manual.
INTRODUCTION & BACKGROUND

Workers’ Compensation in Colorado

The workers’ compensation systems present in the United States today originated in Europe in the 19th Century. The first system was established in Germany in 1856 and adopted soon thereafter by England and most of Western Europe. The need for an effective workers’ compensation system in the United States stemmed from increased work-related injuries experienced during the industrial revolution. As the U.S. economy boomed with industrial activities, work-related injuries significantly increased, in large part, due to increased use of machinery. Additionally, the rising demand for mass-produced products resulted in more injuries.

Previously, workers who were injured on the job had limited recourse other than litigation, which was expensive and time-consuming. The legal system soon became clogged with litigants, causing long delays in the process and issuance of compensation for injuries, if any. In 1915, the Colorado General Assembly enacted the Workers’ Compensation Act of Colorado (WCA), which established a formal workers’ compensation system in Colorado to deliver disability and medical benefits to injured workers. The General Assembly intended for the new system to provide these benefits efficiently while minimizing the burden of cost to employers.

The WCA requires all employers, both public and private, to carry workers’ compensation insurance. When a dispute arises regarding the eligibility of an injured employee to receive workers’ compensation benefits, an employee must request a hearing with an administrative law judge and present relevant evidence to prove that his or her employer should award benefits. In addition to placing the burden of proof on the injured employee, the WCA establishes a payment schedule for any conceivable work-related injury. For instance, the WCA has set the maximum award for permanent total disability at approximately 66 percent of the average weekly wage of the injured employee.

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3 C.R.S. § 8-40-102 (1915).
The WCA has been amended several times since it was enacted in 1915. Some of the most significant changes were made in 1991 when the General Assembly granted the state greater involvement in workers' compensation claims. The amendments were intended to increase efficiency, contain cost, and reduce litigation. The new laws required active management of workers' compensation claims by claims managers within the state’s Division of Workers' Compensation. Their job is to educate, review, audit, close cases, and “to promote speedy and uncomplicated problem resolution.”

The Division of Workers’ Compensation (DOWC), housed within the Colorado Department of Labor and Employment, is the primary regulator of the workers’ compensation industry in the state. All injury-related payments must be approved by DOWC for compliance with state regulations. Incorrect filings are sent back to the insurance carrier or organization for correction.

Governance of the City’s Workers’ Compensation Program

The City and County of Denver established the Workers’ Compensation Program (Program) in 1982, which supplements the provisions of the WCA with rules and regulations to handle workers’ compensation issues related to City employees. In 2008, Executive Order 65 expanded the Program by requiring the Risk Management Office (Risk Management) to establish a Safety and Health Management System that would minimize workplace hazards and reduce injuries. Specifically, the executive order requires that each agency or department have a safety professional or safety representative to help manage and create the organization’s safety programs.

Career Service Authority (CSA) Rules also address workers’ compensation governance. CSA Rule 11 governs employee leave authorized by the WCA, specifying which employees qualify for disability or salary continuation, and how to qualify, when injured on the job. The CSA rules also offer salary continuation for disabled employees, which pays an injured employee 80 percent of his or her salary for 90 days after the injury.

Section 125 of CSA Rule 11 is particularly relevant to this audit. It relates to the use of personal leave by an employee who is on workers’ compensation disability and thus unable to work. Because the City will only pay a certain percentage of a disabled employee’s salary, there is often a significant gap between regular pay and disability pay. To account for this discrepancy, CSA Rule 11 allows eligible employees to use leave or Paid Time Off (PTO) to make up the difference.

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5 Refer to Appendix A for more detail regarding Executive Order 65 Operational Safety & Health Program.
6 CSA Rule 11, Section 11-120 through 11-127.
7 The State of Colorado does not offer salary continuation under the Workers’ Compensation Act.
Mission and Goals of the Workers’ Compensation Unit

The mission of the Workers’ Compensation Unit is to deliver statutorily required workers’ compensation benefits to the City and County of Denver employees who incur a work-related injury or occupational disease. This consists of a full range of quality services and resources provided to City employees, including access to effective and efficient medical treatment and appropriate lost wage indemnity benefits required by statute.

Specifically, the Workers’ Compensation Unit has established five major goals.

- Provide City agencies and their employees with workers’ compensation education, guidance and information that will promote safety, knowledge and active participation.
- Develop and implement programs to contain the costs of workers’ compensation claims.
- Provide appropriate medical treatment and return the injured workers back to their regular jobs as soon as medically possible and ensure that any financial benefit due is paid in a timely manner.
- Establish strategies designed to ensure that benefits resulting from admitted claims are paid promptly and properly.
- Investigate claims thoroughly to ensure the legitimacy of a claim and reduce unwarranted expenditures.

Risk Management Office Structure

Our audit focused on the following two units of Risk Management: the Workers’ Compensation Unit and the Safety Unit.8

Workers’ Compensation Unit

The Workers’ Compensation Unit administers the City’s self-insured workers’ compensation program and Internal Service Fund.9 Its primary functions are to evaluate workers’ compensation claims to determine the City’s liability and act to minimize loss; to authorize payments for indemnity and medical costs of claims; and to arrange for the return to work of workers’ compensation claimants at the earliest possible date.10 Through claims adjusting and management, the Workers’ Compensation Unit processes benefits required by the WCA.11 This unit is staffed by 17 employees, including administrative support staff, claims adjusters, a modified duty coordinator, a senior registered nurse, and a nursing program manager.12

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8 The Risk Management Office is housed within the Department of Finance.
9 The term self-insured refers to an organization that covers all costs related to workers’ compensation claims internally, without relying on payment for claims by a workers’ compensation insurer.
12 The Director of Risk Management oversees this unit but the position is accounted for in the Risk Management fund.
Safety Unit

The Safety Unit develops and implements city-wide safety policies and provides oversight of agency and department compliance with the goals and objectives of the City’s Occupational Safety Program. Safety Unit employees regularly inspect City-owned facilities for safety or physical-loss concerns and provide advice to agencies in a variety of risk-control areas. This unit comprises four positions: a manager, a safety and industrial hygiene administrator, and two risk analysts.¹³

The Safety Unit conducts workers' compensation claims data analysis projects, which analyze claims data to identify loss prevention opportunities and thereby reduce costs and improve workplace safety. The Safety Unit also recently reviewed the City’s workers' compensation claims codes. This process resulted in reducing the number of codes associated with incident types from 75 to 12 to better align with the codes used by the insurance industry. Reducing the number of codes eliminated inconsistencies; previously, injury type and incident type were used interchangeably by claims adjusters. The Safety Unit then provided training to the Workers’ Compensation Unit on the new codes.

Financial Structure of the Workers’ Compensation Program

To fund the Program, the City places monies into a trust, or Internal Service Fund, specifically for payment of workers’ compensation claims and future liabilities. This approach is known as a self-insured program, a concept that is covered in greater detail later in this section. Both the Program and the Internal Service Fund are administered by the Workers’ Compensation Unit. Monies in the Internal Service Fund are divided into two budget categories: Claims and Administrative. This separation distinguishes monies used for indemnity and medical claim payments from monies used to administer the Program.¹⁴

The Workers’ Compensation Unit contracts with external vendors for support with claim review, fee schedules, and account billing. An actuary provides analysis of the current Internal Service Fund and makes recommendations for funding levels.¹⁵ Table 1 highlights 2011 performance measures for the Risk Management Office.

¹³ The manager position is accounted for in the Risk Management fund.
¹⁵ A claim is a formal submission for benefits when an employee is injured on the job.
The number of new workers’ compensation claims has gradually decreased over the past several years, and this trend is expected to continue. The total amount paid by the Workers’ Compensation Internal Service Fund for benefits decreased by approximately $2.5 million between 2005 and 2009. Expenditures increased slightly in 2010, but decreased in 2011. The costs are expected to flatten and then gradually increase in future years due to inflation of medical care costs. The average expenditure activity for the fund over the past few years is $13 million. This amount includes administration, indemnity and medical costs. Subrogation recoveries are claims whereby the City pursues individuals responsible for damage to city property or individual injury to city employees. As depicted in Table 1, the amount of subrogation claims has decreased, and is due to a reduction in the hours spent on outside consulting services to recover these costs. However, plans to restructure the process in 2011 will increase cost recovery in subsequent years.

City and County of Denver is Self-Insured

There are various ways in which an organization can structure its workers’ compensation program. An organization can be self-insured and handle all of its workers’ compensation costs and claims internally. Alternatively, an organization can outsource its workers’ compensation to a private insurer. Organizations can also share risk by joining an insurance pool agreement with other municipalities.

The City’s workers’ compensation claims process is almost entirely internal. Claims are processed by internal claims adjusters and reviewed by registered nurses to ensure appropriate medical treatment by in-network physicians. Medical providers are reimbursed directly by the Workers’ Compensation Internal Service Fund rather than by a private workers’ compensation insurance carrier.
Workers’ Compensation Claim Process

Colorado law requires an employee who is injured on the job to submit written notice of the injury to his or her employer within four working days after the accident.16 After a City employee is injured, he or she is first required to seek medical treatment at one of the designated providers.17 Then, the employee is required to fill out an injury report (ADM4) and submit the information to Risk Management, where a nurse and a supervisor review the claim to determine if it is valid and whether the clinic’s examination supports their findings. Finally, the Risk Management supervisor assigns the claim a “medical only” designation or forwards the claim on to a lost time adjuster for further investigation. This process is illustrated in greater detail in Appendix B.

Information Systems – Workers’ compensation claims are currently monitored through a variety of City information systems. The information systems are used to track claims, monitor employee timekeeping and employee pay, and review claim billing. Four major information systems currently monitor workers’ compensation activities.

- STARS – Used by Risk Management for handling and managing Workers’ Compensation claims and data regarding these claims
- Kronos – Time, attendance, and leave management system for Career Service Employees
- Telestaff – Time, attendance, and leave management system for Denver Police Department and Denver Fire Department employees
- PeopleSoft – Human Resources module that processes payroll for all City agencies

Trends in Workers’ Compensation

Workers’ compensation claims tend to be more prevalent among professions with greater inherent risk. For municipalities and counties in particular, the majority of workers’ compensation claims are filed by public safety personnel from the Police, Sheriff, and Fire Departments. As the figure below demonstrates, 49 percent of all claims filed in 2010 by City employees were filed by Department of Safety personnel. Additionally, we benchmarked against several other Colorado municipalities and inquired about the origination of their workers’ compensation claims. All five municipalities responded that uniformed personnel file the most claims in their respective organizations. Our benchmarking data also shows that strains, over-exertion, slips, trips, and falls are the most common types of injuries sustained by City employees who are injured on the job.

16 C.R.S. § 8-43-102. Every employee who sustains an injury resulting from an accident shall notify their employer in writing of the injury within four days of the occurrence of the injury. If the employee is physically or mentally unable to provide notice, any other person in charge who has notice of injury shall submit such written notice to the employer. Ibid.
17 Denver currently contracts with Denver Health and Concentra for employee patient care.
Notably, the Department of Safety encounters the most number of claims and has the most costs associated with workers' compensation by a significant margin. Figure 2 illustrates costs incurred by workers' compensation in 2010 by department.

**Figure 2 – 2010 Claim Cost Incurred by Department**
One of the main goals of our benchmarking study was to determine if the number of workers’ compensation claims filed by employees in the City is comparable to other entities. Our analysis indicates Denver has similar claims rates with neighboring jurisdictions on a per capita basis.

<table>
<thead>
<tr>
<th></th>
<th>Boulder County, CO</th>
<th>Lakewood, CO</th>
<th>Colorado Springs, CO</th>
<th>Westminster, CO</th>
<th>Denver, CO</th>
</tr>
</thead>
<tbody>
<tr>
<td>Number of Claims*</td>
<td>200</td>
<td>200</td>
<td>400</td>
<td>200</td>
<td>1,100</td>
</tr>
<tr>
<td>Number of Employees</td>
<td>2,727</td>
<td>2,125</td>
<td>3,900</td>
<td>2,132</td>
<td>11,137</td>
</tr>
<tr>
<td>Number of Claims per Capita</td>
<td>13.6</td>
<td>10.6</td>
<td>9.75</td>
<td>10.6</td>
<td>10.12</td>
</tr>
</tbody>
</table>

Source: Auditor’s Office benchmarking results.

* With the exception of Denver, all other cities and counties number of claims is based on ranges: 1-200 and 201-400, not on an exact number.
SCOPE

This audit reviewed the City and County of Denver’s Workers’ Compensation Program managed by the Risk Management Office. This audit included a review and analysis of management processes, laws, policies and procedures, and systems in place as well as safety controls to diminish workers’ compensation injuries.

OBJECTIVE

The objective of this audit was to assess the effectiveness of City activities to diminish workers’ compensation claims and employee safety risks.

METHODOLOGY

We utilized several methodologies to achieve the audit objective. These evidence gathering techniques included, but were not limited to:

- Reviewing related laws, rules, and regulations
- Reviewing internal policies and procedures
- Evaluating organizational and oversight approach
- Interviewing Risk Management Office staff
- Interviewing staff from other agencies involved in the workers’ compensation process
- Benchmarking and researching other Colorado cities and counties which include:
  - Boulder County
  - City of Lakewood
  - City of Colorado Springs
  - City of Westminster
  - Arapahoe County
- Reviewing data from a sample of workers’ compensation claims and testing for compliance with related legal requirements
- Examining City processes for assigning and re-assigning employees who have been injured on the job including modified duty assignment practices
• Reviewing Risk Management third-party contract agreements and the services provided

• Reviewing workers’ compensation prescription data and developing a trend analysis from this data

• Reviewing the Safety Unit’s Workers’ Compensation Claims Data Analysis Project and the action plans created by the top six agencies with workers’ compensation claims

• Reviewing the City and County of Denver Budget Book for financial information and performance measures
FINDING

While Effectively Governed Overall, Opportunities Exist to Enhance the City’s Workers’ Compensation Program

The City and County of Denver’s Workers’ Compensation Program (Program) appears to be effectively managed and focused on continuous improvement. Recent Program enhancements include better record keeping, improved personnel skill sets, compliance with rules and regulations, and implementation of a new employee time and leave accountability system. Further enhancements to address elements of the decentralized structure of the Program would result in increased efficiency.

Our audit identified a need for a policy change and inefficiencies resulting from unclear roles and responsibilities. The policy change we are recommending stems from the fact that workers’ compensation claimants may be eligible to receive more than 100 percent of their salaries while receiving workers’ compensation benefits. This practice is not in the best interest of the City and as a result, a rule revision is necessary. With regard to inefficiencies, the audit revealed two in particular. First, required claim documentation is not always submitted, efficient, or retained. Second, effective communication is lacking between the two units within the Risk Management Office. This issue is exacerbated by a confused reporting structure. As a result, known concerns may not be addressed in a timely manner.

Our audit also revealed specific practices that hinder maximum efficiency and cost savings by the Program. Specifically, the Denver Police Department employs a uniformed officer, rather than a civilian, to perform workers’ compensation duties. In addition, two of the contractors used by the Risk Management Office may not be cost effective. Lastly, certain fraud- and risk-prevention steps are not included in the organization’s policies and procedures manual.

Elements within the City’s Decentralized Workers’ Compensation Process need to be Clarified and Strengthened

The Program appears to be operating effectively. However, we identified three areas for improvement. First, City employees who have been injured on the job and awarded disability or salary continuation may end up getting paid more than 100 percent of their salaried rate. Second, we determined that certain documentation required for workers’ compensation claims is not always submitted. Third, the communication between the Risk Management Office (Risk Management) and other agencies responsible for various aspects of the workers’ compensation claims process appears to be disjointed. This issue is magnified by a lack of communication between the Workers’ Compensation Unit and the Safety Unit within Risk Management.

Employee Leave Rule Allows Salary Overpayment to Injured Employees

During a prior review of the Program conducted by our office, we discovered that some workers’ compensation claimants were being overpaid. Since that review, several
control improvements have been implemented. Specifically, the Controller’s Office reorganized the City’s payroll and human resources function to increase awareness of workers’ compensation lost time injuries.\textsuperscript{18} Additionally, the City implemented Kronos and made updates to Career Service Authority (CSA) Rule 11, which governs employee leave, to help increase understanding and minimize abuses related to workers’ compensation pay and administration.\textsuperscript{19}

**CSA Rule 11 Needs to Be Revised**

Although the recent improvements mentioned in the previous section begin to address the issue, the City can do more to prevent overpayments to workers’ compensation beneficiaries. Specifically, we determined that Rule 11 should be revised to prevent claimants from getting paid over 100 percent of their salaries. CSA Rule 11-125 currently allows for the use of PTO when an employee is on disability. The rule provides that an “employee who continues to be disabled beyond the maximum disability leave of ninety (90) calendar days may use his accrued PTO, sick leave and vacation leave at full benefits in addition to the temporary disability compensation he receives” from the fund.\textsuperscript{20}

Compliance with the current rule may cause the City to pay as much as 166.66 percent of a CSA employee’s salary while the employee is on disability if he or she chooses to use Paid Time Off (PTO) to make up the difference in reduced salary. Table 3 provides a scenario illustrating what an employee could be paid using PTO in addition to disability or salary continuation.

| Table 3 – Workers’ Compensation Overpayment Scenario |
|---------------------------------|---------------------------------|-----------------|----------------|
| **Employee Monthly Salary**    | **Compensation Payment (66.66%)** | **PTO or Leave Taken** | **Total Salary Payout** |
| $5,000                          | $3,333                          | 160 hours or $5,000 | **$8,333** |

Although we only observed a few instances where employees were paid more than their working salary, the fact that this is permitted by the CSA rule is not in the best interest of the City. Currently, monitoring of employee leave is a decentralized process. Supervisors are responsible for monitoring employee leave, the Controller’s Office leave team monitors CSA pay and timeliness, and Risk Management adjusters monitor workers’ compensation payments. If the rule is changed, the Manager of Cash Risk and Capital Funding should clearly communicate all roles and responsibilities related to monitoring claimant leave to ensure that overpayments do not occur.

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\textsuperscript{18} Lost time injuries are when employees are unable to perform regular job duties.  
\textsuperscript{19} Kronos is a web-based system used by the City for time and attendance tracking.  
\textsuperscript{20} Career Service Authority Rule 11-125 Expiration of Disability Leave.
Required Documentation Not Always Submitted, Efficient, or Retained for Claims

The Program requires a variety of reports to be completed when an employee is injured. Two reports in particular are critical to the workers' compensation claims process: the Supervisor Report and the Employee Injury Report (ADM4). We identified problems with the provision of both types of documentation. Additionally, required documentation is not being retained for the Modified Duty Program.

The Supervisor Report provides a documented account of the incident that led to the employee’s injury. We found that not all supervisors are completing the Supervisor Report in accordance with Executive Order 65 and the City's Workers' Compensation Policies and Procedures, which require that reports be filed within five working days following notification of an accident or incident. Specifically, claims testing determined that 89% of Supervisor Reports were not completed for the Department of Parks and Recreation and 43% were not completed for the Department of Human Services. When a supervisor does not complete a report, the only testimony of the incident originates from the employee, which then limits the information available to assess a claim.

We determined that there is confusion regarding the roles and responsibilities related to ensuring that Supervisor Reports are completed. Agency personnel believe the Workers’ Compensation Unit is responsible for ensuring the Supervisor Reports are completed. However, the Workers’ Compensation Unit stated that the responsibility lies with the first-line supervisors within operational departments. Furthermore, the City does not provide workers’ compensation training for supervisors. Risk Management should ensure that supervisors receive proper training on the workers’ compensation process. Previously, training on the process was included in new employee orientation and supervisory classes offered by Career Service Authority. In addition, Risk Management also conducted training on workers’ compensation. Risk Management should explore implementing these options again.

The purpose of the Employee Injury Report (ADM4) is to document the injured employee’s account of the incident. Currently the ADM4 report can only be completed manually. Some personnel have expressed an interest to Risk Management in having the report available in an electronic format for more convenient completion. However, this request has not been acted upon by Risk Management because they prefer to have the report completed manually at one of the two designated providers where an employee receives medical care. However, not all incidents necessitate medical care.

Risk Management recently launched a pilot program with the Denver Fire Department that, if adopted, would alter the process to complete the ADM4 report. The pilot program requires employees to contact Denver Health by telephone prior to seeking medical treatment for an injury sustained on the job. The Denver Health nurse can provide a preliminary assessment of the situation and provide an appropriate course of action. This effort is intended to prevent unnecessary, costly visits to the emergency room. Currently, if an employee is injured late in the evening when the two designated providers are closed, he or she will likely seek medical care at a hospital emergency room. Under the procedure outlined by the pilot program, the on-call nurse will advise the employee if
immediate medical treatment is necessary or if the employee can wait until the following
day, thereby saving costs related to unnecessary emergency room visits.

When an employee is being treated for an eligible work related injury or illness and is
temporarily unable to return to regular duty, but is able to perform work within specific
restrictions, they may qualify for the Modified Duty Program. Our review of Workers’
Compensation Unit policies and procedures found that they are detailed and thorough.
However, some of the procedures outlined in the Workers’ Compensation Manual are not
being followed, specifically with regard to the Modified Duty Program. According to the
manual, the modified duty letter must have the treating physician’s signature, and a copy
of the letter must be given to the employee.21 In several instances we observed that both
the required signature and evidence that the letter was sent to the employee were
missing. The letter describes details of the proposed modified duty position and the
treating physician’s signature is important to verify the employee is medically fit to return
to work. Therefore, it is imperative to have documentation that the letter has been sent to
the employee outlining the authorization and details of their Modified Duty assignment.

There is currently only one individual monitoring the Modified Duty Program, and although
the policies and procedures were not followed, this individual was able to provide us with
documentation for a majority of the discrepancies. However, in the event that someone
new is charged with managing the Modified Duty Program, it is imperative that the
physician’s signature and employee transmittal date are captured consistently. This
information is important to the City because workers’ compensation rules require
physician authorization before an employee may return to work.22 Moreover, since one
individual is monitoring this Modified Duty Program, Risk Management should implement
the necessary controls to ensure effective task sharing and risk mitigation. We believe that
Risk Management could utilize the STARS scanning capabilities to consistently document
the final version of the modified duty letter that is sent to the employee and contains the
treating physician’s signature.23

Effective Communication Lacking within the Risk Management Office

Risk Management comprises two sections: the Safety Unit and the Workers’
Compensation Unit. We found that there is a lack of communication between units,
evidenced by the fact that both units hold regular stakeholder meetings, to which the
other unit is not invited or subsequently briefed upon as to the results. Although these
meetings do not necessarily require that the other unit attend, the discussions would
occasionally benefit both units.

For example, the Safety Unit meets with agencies to discuss the data analysis project but
does not include personnel from the Workers’ Compensation Unit. As a result of these
meetings, the Safety Unit was aware of concerns regarding completion of the Supervisor
and ADM4 reports. However, due to the lack of communication within the Workers’
Compensation Unit, these concerns were not addressed. Had they been, Risk

21 A modified duty letter describes the proposed modified duty assignment to a qualified employee.
22 City and County of Denver Workers’ Compensation Manual, Section 20, Modified Duty Coordinator Procedure.
23 STARS is Risk Management’s information system for handling and managing Workers’ Compensation claims.
Management may have been able to take advantage of an opportunity to craft solutions that would have improved the efficiency of the Program. Also, the Workers’ Compensation Unit staff involved in the daily workers’ compensation claims process may be aware of certain safety concerns when reviewing the claims but, due to the lack of communication, this information is not shared with the Safety Unit that is responsible for loss prevention. Therefore, the concerns may not be addressed in a timely manner.

In addition to internal communication issues, Risk Management also has room for improvement with regard to its external communications. Specifically, it is difficult to locate the Risk Management website, which resides on the Career Service Authority’s Human Resource Center website, instead of on the web pages dedicated for the Department of Finance or the Program. Additionally, the information on the website is limited and outdated, and there were inaccurate references to resources for safety classes. The Workers’ Compensation and Safety Units should assign responsibility for the website; when we inquired, we received conflicting answers from the two units regarding who is responsible for website maintenance.

**Reporting Structure Possibly Contributing to Communication Issues**

We found that the reporting structure within Risk Management may be contributing to the communication issues identified during the course of the audit. Specifically, the Supervisor of the Workers’ Compensation Unit reports to the Director of Risk Management, while the Manager of the Safety Unit reports to the Manager of Cash Risk and Capital Funding.\(^{24}\) Based on pay grades, titles, and reporting structures common in most other City agencies, the Manager of the Safety Unit should also report to the Director of Risk Management, which is how the reporting structure was modeled in the past.\(^ {25}\) As a result of the current reporting structure, the Director of Risk

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\(^ {24}\) For more detail refer to Figure 3.

\(^ {25}\) Refer to Figure 4 for more information.
Management is not aware of Safety Unit plans and initiatives, which can impact the Director’s ability to manage the entire Program.

Changes to Certain Workers’ Compensation Practices can Result in Improved Efficiencies and Potential Cost Savings

One of the Workers’ Compensation Unit’s organizational goals is to, “[d]evelop and implement programs to contain the costs of workers’ compensation claims.” As a result of our audit work, we identified ways in which the Workers’ Compensation Unit may be able to improve efficiencies through process improvements that could ultimately lead to cost savings. These improvements include changing the way the Department of Safety staffs its human resources function, conducting a cost-benefit analysis regarding the use of contractors, and revising policies and procedures to mitigate potential fraud.

Overqualified Professional Conducting Denver Police Department Human Resources Function

Uniformed officers of the Denver Police Department (DPD) monitor and conduct the Department’s administrative and human resources functions, including processing workers’ compensation claims. Risk Management Office personnel believe that this staffing is appropriate due to the unique relationships that exist between police officers and because a uniformed officer can help to interpret collective bargaining agreements as related to workers’ compensation matters.

Although we see the advantage of DPD having a uniformed officer in charge of the human resources function, the City is paying approximately $25,000 more to have a uniformed officer fill the role than it would if the role were filled by a CSA employee. Additionally, having a uniformed officer perform human resources duties removes that individual from performing the specialized duties for which the officer was trained: to enforce the law and protect the public. An audit issued in November 2011 also found that the City may be overpaying a uniformed officer for a job for which a CSA employee could be responsible.26

The City’s Chief Performance Officer recently reviewed DPD and suggested ways the Department can be more efficient and save the City money. The report included a finding related to the issue we identified.

In economic terms, there is a comparative advantage to Career Service Authority (CSA) employees filling support roles within DPD. First, police officers are the only personnel who can provide traditional law enforcement work, so when they are assigned elsewhere there is no substitute. Second, it is likely that appropriate CSA employees could attain

similar quality and service at, for example, scheduling officers for court dates, upgrading software, or coordinating a youth baseball league. Any loss of service quality in these non-traditional roles would likely be outweighed by the strong comparative ROI from assigning these FTEs to traditional policing functions.\textsuperscript{27}

Therefore, we recommend that the Manager of Cash Risk and Capital Funding should review potential personnel cost saving options with Department of Safety management regarding administration of the Workers’ Compensation Program.

\textbf{Services Provided by Third-Party Contractors May Not Be the Most Cost-Effective}

The Program uses two third-party contractors: CorVel and myMatrixx. CorVel conducts medical billing review and myMatrixx provides prescription-drug cost-containment services. Both contracts are intended to increase efficiency; however, the Program could benefit from a closer review of the value the contractors are providing.

\textbf{CorVel Performs Medical Billing Review}

The City contracts with CorVel to conduct medical billing review to ensure that workers’ compensation payments were made in compliance with state law. In 2010, the City paid CorVel $518,000 for these services and, as of September 2011, CorVel had received $360,000 for services rendered in 2011. Considering that the average salary for one FTE performing these types of duties would be approximately $61,000, this cost seems high and it is possible that the City could be over-paying for this function.

Accordingly, it might be more cost-effective if the medical billing review function was brought in house. We estimate that ending the contract with CorVel would save the City between approximately $300,000 and $400,000 per year, after hiring one or two FTEs to perform the same job duties in house. However, this estimate does not account for additional costs associated with hiring new employees to staff the function, such as the additional resources to manage the employees, impact to base salary if more experienced staff are hired, office supply costs, and most importantly, the cost of a new medical billing system, which would need to be purchased to perform the type of review currently being performed by CorVel.

Risk Management reported that they have never conducted a cost-benefit analysis evaluating this issue and do not know how much it would cost to hire new employees or purchase a new medical billing software program. In addition, Risk Management has never evaluated the feasibility of bringing the medical review process in house. Therefore, they do not know if they are spending too much for the contracted function. Management has a responsibility to ensure that costs are minimal, especially during these tough economic times. Risk Management should conduct a cost-benefit analysis to determine whether it is more economical to retain CorVel or to bring the medical review process in house.

\textsuperscript{27} 2011 Denver Police Department Strategic Resource Alignment Project.
**myMatrixx Provides Prescription Drug Cost-Containment Services**

The City contracts with myMatrixx to help contain costs of prescription drugs required by injured employees. myMatrixx pays pharmacies for prescriptions based on their negotiated contract rates and identifies areas to cut prescription costs for the City. myMatrixx also provides trend analyses that identify possible savings to the City. Some of the other services include reducing costs of prescription drugs by monitoring or auditing usage and processing the prescription charges.

Based on an analysis of the monthly prescription costs, myMatrixx will recommend a clinical review of a claimant with continuous high costs. This analysis is then shared with Risk Management on a quarterly basis. Risk Management then has the option to pursue clinical reviews in accordance to these recommendations. A clinical review consists of myMatrixx reviewing prescription-drug usage by current workers’ compensation claimants to determine if all of the individuals’ respective prescriptions are cost effective.\(^{28}\) We found that, when myMatrixx suggested claimants for review, a majority of those claimants were recommended multiple times without action by the Workers’ Compensation Unit.

According to the Workers’ Compensation Unit, they usually do not act on the recommendations by myMatrixx because of the high cost associated with a clinical review. The Workers’ Compensation Unit also indicated that it is difficult to change a doctor’s diagnosis and therefore a justification for a change in medication is difficult to obtain. In addition, the Unit does not direct patient care. If the Workers’ Compensation Unit agrees to a clinical review, the initial cost is approximately $300. On a few occasions the Workers’ Compensation Unit has agreed to a clinical review but the doctors were not in agreement with myMatrixx and the issues were not pursued further. A more in-depth review can cost between $900 and $7,000. Ultimately, the cost of the review may outweigh any potential costs savings.

Although prescription reviews can be costly, it may be in the best interest of the City to conduct a review for prescription regimens that meet or exceed a certain dollar threshold. For example, a former City employee who was injured over ten years ago is still receiving approximately $4,000 per month for medication. In this case, it would be beneficial for the City to spend between $900 and $7,000 dollars to potentially reduce the monthly prescriptions that presently cost the City approximately $48,000 annually.

We believe that if the Workers’ Compensation Unit were to implement a policy to include a maximum threshold dollar amount to trigger a prescription drug review, it could possibly cut residual prescription costs. Instituting this type of process removes from the Workers’ Compensation Unit the burden associated with making a judgment regarding which claimants should be reviewed. Instead, the review would trigger automatically. Accordingly, Risk Management and the Workers’ Compensation Unit should consider updating its policies and procedures to include an automatic dollar threshold at which a drug prescription review would commence.

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\(^{28}\) For example, name-brand versus generic brand prescriptions.
Fraud and Risk Prevention Steps Not Included in Policies and Procedures

Risk Management performs certain steps to prevent fraud and risk associated with the Program. Two of these steps are not included in the Program’s policies and procedures.

First, when an indemnity workers’ compensation claim is submitted, Risk Management checks the status of each claimant for the submission of previous claims. This process allows the Workers’ Compensation Unit to identify employees with multiple claims, help employees with unsafe records become safety conscious, and possibly detect fraudulent claims. The Workers’ Compensation Unit uses a web-based database program called ISO, which captures all workers’ compensation claims and allows the Workers’ Compensation Unit to search claims of specific employees to see if they have filed similar claims from past employers. This process is intended to prevent submission of fraudulent claims. However, Risk Management has no policies or procedures in place to ensure that this ISO search is being conducted for every indemnity claim in the City.

Second, the Workers’ Compensation Unit runs frequent reports of employees who have submitted multiple claims to help indentify high-risk workers and to identify these employees for their respective agencies. This practice is commendable; however, there are no written policies or procedures regarding this practice.

Identifying and monitoring employees who may either be submitting fraudulent claims or routinely working in an unsafe manner is important. However, without policies and procedures to formalize these steps, they are likely to not be performed consistently. Without consistent monitoring, employees could potentially abuse the system resulting in additional costs to the City. With proper identification, agencies can then provide additional training to correct unsafe behavior. Accordingly, the Workers’ Compensation Unit should decide which procedures are appropriate for fraud, abuse, and safety identification for employees and document them appropriately in the policies and procedures manual.

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29 Indemnity payments are for injuries that result in lost wages.
RECOMMENDATIONS

We offer the following eleven recommendations to assist the Risk Management Office with improving the Workers’ Compensation Program.

1.1 CSA Rule Revision – The Manager of Cash Risk and Capital Funding should work with CSA to modify CSA Rule 11-125 to prevent claimants from receiving more than 100 percent of their salaries while receiving workers’ compensation benefits.

1.2 Monitoring Leave – The Manager of Cash Risk and Capital Funding should determine which entity or individual is responsible for ensuring that leave taken is not above the 100-percent threshold when an employee is on disability, once CSA Rule 11-125 is changed.

1.3 Supervisor Training – The Risk Management Office should evaluate ways to ensure supervisors city-wide receive training on workers’ compensation.

1.4 Injury Reports – The Risk Management Office should evaluate the Supervisor and Employee Injury Reports (ADM4) to ensure that the information on the reports is relevant and user-friendly for agencies.

1.5 Communication – The Manager of Cash Risk and Capital Funding should review how the communication between the Workers’ Compensation Unit and the Safety Unit can be improved to enhance the Workers’ Compensation Program.

1.6 Websites – The Risk Management Office should determine who is responsible for the agency websites to ensure up-to-date and accurate information is available for City employees with regard to the workers’ compensation process and safety concerns.

1.7 Modified Duty Letter – The Workers’ Compensation Unit should utilize the scanning capabilities of the STARS system to standardize record keeping as it relates to the modified duty letter.

1.8 Cost Saving Options – The Manager of Cash Risk and Capital Funding should review potential personnel cost saving options with Department of Safety management regarding administration of the Workers’ Compensation Program.

1.9 Cost-Benefit Analysis – The Risk Management Office should conduct a cost-benefit analysis to determine whether it is more economical to retain CorVel or to bring the medical review process in house. If the analysis shows that it would be more cost-effective to have this function in-house, Risk Management should consider doing so accordingly.

1.10 Prescription Drug Reviews – The Risk Management Office should consider implementing a dollar threshold policy for myMatrixx prescription drug reviews.

1.11 Policies and Procedures – The Workers’ Compensation Unit should include the ISO claims search process in the policies and procedure manual to ensure that this vital function is performed for all indemnity claims.
EXECUTIVE ORDER NO. 65

TO: All Agencies Under the Mayor

FROM: John H. Hickenlooper, Mayor

DATE: June 20, 2008

SUBJECT: Operational Safety & Health Program

Purpose: This Executive Order establishes the Safety & Health Program to which all Departments and Agencies under the Mayor shall adhere. In order to provide a safe and healthful work environment for City employees and because of the statutory requirement to provide workers' compensation benefits, this program establishes citywide responsibility for safety standards to minimize and effectively contain workers' compensation costs. This Executive Order shall supersede Executive Order No. 65 dated January 6, 2006.

1.0 Applicable Authority: The applicable authority for this Executive Order No. 65 is Section 2.2.10 of the 2002 Revised Charter

2.0 Definitions:

2.1 Occupational Safety and Health Administration (OSHA) – Agency of the Federal government that establishes, administers, and enforces safety guidelines for the United States.

2.2 Safety Professional – A person hired as a specialist in a Career Service System Safety Industrial Hygiene I/H position, and is exempt from the requirements of the Fair Labor Standards Act.

2.3 Safety Representative – Any person, other than a safety professional, who is assigned safety responsibilities by an agency of the City.

3.0 General:

3.1 As a local government, the provisions of the Occupational Safety and Health Act generally do not apply to the City. Nevertheless, the City recognizes that OSHA standards embody a useful and comprehensive framework of safety considerations and should be consulted in the assessment of the City’s overall safety requirements. In all instances, however, the City shall rely on its own expertise and judgment in all aspects of the formulation and execution of its Safety and Health Management System. The Risk Management Office, with each department and agency, not OSHA, shall have the responsibility for ensuring citywide compliance with safety standards outlined under this Executive Order.

3.2 The City considers employee safety one of its top priorities. Department/agency managers/directors shall give safety top-level management attention. While accomplishing and achieving the City’s operational goals and objectives, department and agency heads will exercise prudent judgment in carrying out this Executive Order.
4.0 Policy:

4.1 The City is committed to maintaining a safe and healthy work environment. It is the City’s goal to provide places of employment and facilities that minimize hazards that are likely to cause death or harm to employees or the public.

   a. Risk Management, in conjunction with departments and agencies, will establish a Safety and Health Management System and standards within which specific agency and departmental safety policies are developed to minimize hazards and reduce injuries in their department or agency operations.

   b. All policies, standards, and procedures shall be developed primarily considering the City’s particular safety needs. In the exercise of its judgment and application of its expertise, the City should consult standards contained in the Occupational Safety and Health Act of 1970 as well as other national, state and local safety standards as guidelines.

   c. Failure to comply with City safety rules and regulations may subject City employee(s) to discipline up to and including dismissal.

   d. Willful failure to comply with City safety rules or willful failure to use available safety devices may subject injured employees to a reduction in workers’ compensation benefits.

5.0 Responsibilities of Department and Agency Heads: Department/Agency heads shall:

5.1 Furnish employees with work and places of employment free from recognized hazards that may cause or are likely to cause death or serious physical harm.

5.2 Develop and implement departmental or agency-specific safety or health policies and plans in accordance with the Safety and Health Management System and standards set forth in this Executive Order and any implementing memoranda.

5.3 Acquire, maintain, and require the use of personal protective equipment, approved safety equipment, and other appropriate devices necessary to protect employees.

5.4 Each department and agency shall have a Safety Professional or Safety Representative. The safety personnel shall have sufficient knowledge and training to develop and manage department safety programs.

   a. Departments/Agencies with large numbers of employees and/or significant hazard exposures may appoint a Safety Professional(s) under the Career Service classification system, who shall exercise delegated authority from the Department/Agency Head to direct, develop, implement, manage, and evaluate the safety program contained in the Department/Agency Safety Policies.
b. Departments/Agencies without Safety Professionals shall designate an employee and an alternate to serve as a safety representative in addition to other duties.

(1) The Safety Representative shall work with Risk Management to implement the departmental safety program.

6.0 **Responsibilities of First Line Supervisors:** First line supervisors shall:

6.1 Ensure that safe work practices are an integral part of daily operations for employees supervised.

6.2 Review work activities on an ongoing basis to identify potential hazards. This is accomplished with the assistance of department/agency Safety Professional or Safety Representative.

6.3 Ensure that each employee is qualified and trained to safely perform his or her assigned work.

6.4 Ensure that each employee uses safety equipment, personal protective equipment, and other devices required by the agency.

6.5 Submit the Supervisor's Report of Accident or Incident to Risk Management within 5 working days following notification of an accident or incident.

6.6 Ensure employee compliance with safety rules and procedures through training, counseling, and progressive discipline.

7.0 **Responsibility of Each Employee:** Employees shall:

7.1 Comply with health and safety standards, rules, regulations, and orders issued by his/her agency.

7.2 Use safety equipment, personal protective equipment, and other devices provided or required by the agency.

7.3 Report unsafe and unhealthful working conditions to appropriate supervisors, managers, or the City's Risk Management Office.

8.0 **Responsibilities of the Risk Management Office:** The Risk Management Office shall:

8.1 Coordinate a city-wide Safety and Health Management System.

8.2 Develop and establish citywide Safety and Health Management System, which shall be submitted to agency safety officers and representatives for review and comment prior to adoption.

8.3 Monitor citywide compliance with the City's Safety and Health Management System.

8.4 Review the effectiveness of the Safety and Health Management System with the appropriate Safety Professional or Safety Representative of Departments and Agencies.
Executive Order No. 65
Page four

8.5 Serve as the safety advisor/consultant for all city Departments and Agencies.

8.6 Assist in the development, implementation, maintenance and evaluation of the departments or agencies policies and programs.

8.7 Facilitate the development of safety training programs.

8.8 Collect and provide statistical information to Safety Professionals/Representatives and department/agency heads regarding occupational injuries and illness attributed to their agency.

9.0 MEMORANDUM ATTACHMENTS: Additional procedure(s) for implementing this Executive Order may be defined by Memoranda attached to the Executive Order which shall become a part of the Executive Order. Further the Director of Risk Management who is responsible for the content of this Executive Order shall have the authority to issue procedural Memoranda relative to this Executive Order.
Executive Order No. 65
Page five

Approved for Legality:

David R. Fine
City Attorney for the City and County
of Denver

Approved:

John W. Hickenlooper
MAYOR

Kim Day
Manager of Aviation

Nancy Severson
Manager of Environmental Health

Kevin Patterson
Manager of General Services

Scott Robson
Acting Manager of Parks & Recreation

Guillermo “Bill” Vidal
Manager of Public Works

Claude J. Puntila
CFO Department of Finance

Alvin J. LaCabe, Jr.
Manager of Safety

Valerie Brooks
Acting Manager of Human Services

Peter Park
Director of Planning & Development
Appendix B – Workers’ Compensation Initial Process Flow

Injury occurs

Person is treated at designated clinic

ADM4 form is completed

ADM4 is faxed to Workers’ Compensation Division

Data is entered into STARS and basic info is pulled from PS interface

Report from the clinic received within 2-4 days

Supervisor reviews cases and assigns to Lost Time or Medical Only adjusters

Workers’ Compensation Division nurses review reports to ensure proper assessment was made

Medical Only Adjuster assigned

Lost Time Adjuster Assigned

Source: Audit staff created the process flow based on Workers’ Compensation Policies and Procedures.
January 26, 2012

Mr. Kip R. Memmott, MA, CGAP, CICA
Director of Audit Services
Office of the Auditor
City and County of Denver
201 West Colfax Avenue, Dept. 705
Denver, Colorado 80202

Dear Mr. Memmott:

The Office of the Auditor has conducted a performance audit of the Workers’ Compensation Program.

This memorandum provides a written response for each reportable condition noted in the Auditor’s Report final draft that was sent to us on January 6, 2012. This response complies with Section 20-276 (b) of the Denver Revised Municipal Code (D.R.M.C.).

AUDIT FINDING: While Effectively Governed, Overall Opportunities Exist to Enhance the City’s Workers’ Compensation Program

RECOMMENDATION 1.1: CSA Rule Revision – The Manager of Cash Risk and Capital Funding should work with CSA to modify CSA Rule 11-125 to prevent claimants from receiving more than 100 percent of their salaries while receiving workers’ compensation benefits.

<table>
<thead>
<tr>
<th>RECOMMENDATION 1.1</th>
<th>Target date to complete implementation activities (Generally expected within 60 to 90 days)</th>
<th>Name and phone number of primary individual responsible for implementation</th>
</tr>
</thead>
<tbody>
<tr>
<td>AGREE</td>
<td>August 1, 2012</td>
<td>Ray Sibley, Director of Risk Management 720-913-3349</td>
</tr>
</tbody>
</table>

Narrative for Recommendation 1.1:
Changing the CSA Rule that currently allows certain employees to receive in excess of 100% of their salary will require support of the CSA Board. CR&CF has approached the Career Service Authority about making a rule change to address this issue and plan on
meeting with them in early February. CSA has advised that their work plan calls for a full review of Rule 11 during 2012 which may impact the timing of the CSA process. The Controller is supportive of this change and a meeting has been scheduled for January 30th with Controller’s payroll staff to identify automated system(s) capabilities to monitor and capture when a claimant would receive in excess of 100% of their salary.

RECOMMENDATION 1.2: Monitoring Leave – The Manager of Cash Risk and Capital Funding should determine which entity or individual is responsible for ensuring that leave taken is not above the 100-percent threshold when an employee is on disability, once CSA Rule 11-125 is changed.

<table>
<thead>
<tr>
<th>Agree or Disagree with Recommendation</th>
<th>Target date to complete implementation activities (Generally expected within 60 to 90 days)</th>
<th>Name and phone number of primary individual responsible for implementation</th>
</tr>
</thead>
<tbody>
<tr>
<td>AGREE</td>
<td>30 days after a change to Rule CSA 11-125</td>
<td>Bob Gibson, Manager CR&amp;CF, 720-913-9383</td>
</tr>
</tbody>
</table>

Narrative for Recommendation 1.2:
CR&CF staff will work with Controller’s Office payroll staff to identify capabilities in KRONOS to monitor and track workers compensation leave while working with CSA on revisions to Rule 11. Workers Compensation will develop policies and procedures consistent with any changes made to CSA Rule 11. Upon completion of the research, Workers Compensation staff will be designated as responsible for ensuring compliance with the CSA Rule and coordination with the Controller’s Office.

RECOMMENDATION 1.3: Supervisor Training – The Risk Management Office should evaluate ways to ensure supervisors city-wide receive training on workers’ compensation.

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<thead>
<tr>
<th>Agree or Disagree with Recommendation</th>
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<tr>
<td>AGREE</td>
<td>July 1, 2012</td>
<td>Ray Sibley, Director of Risk Management, 720-913-3349</td>
</tr>
</tbody>
</table>
Narrative for Recommendation 1.3:
Initial and on-going training of supervisors throughout the City is key to ensuring compliance with the handling of incidents. The Director will meet with the training section of CSA to identify opportunities into which Worker’s Compensation training can be incorporated, preferably in the New Employee and Supervisor training classes. In addition, H/R professionals, safety officers, and other agencies and work groups will be contacted to identify staff in need of Supervisor training for WC topics and set up a tentative schedule for conducting this training. A proposed roll-out plan will be developed and submitted to the CR&CF Manager.

RECOMMENDATION 1.4: Injury Reports – The Risk Management Office should evaluate the Supervisor and Employee Injury Reports (ADM4) to ensure that the information on the reports is relevant and user-friendly for agencies.

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<th>RECOMMENDATION 1.4</th>
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<tr>
<td>AGREE</td>
<td>December 1, 2012</td>
<td>Ray Sibley, Director of Risk Management, 720-913-3349</td>
</tr>
</tbody>
</table>

Narrative for Recommendation 1.4:
The information on Form ADM4 is required to be obtained by the Colorado Division of Workers Compensation. The information contained on the Supervisor’s Report was developed by the Risk Management Office to assist with adjusting, subrogation and prevention activities. A telephonic reporting process is being rolled out during 2012 to provide a more user friendly method of obtaining and receiving the Supervisor’s Report as well as automating the Form ADM4. We anticipate all City Agencies having this access may take up to a year.

RECOMMENDATION 1.5: Communication – The Manager of Cash Risk and Capital Funding should review how the communication between the Workers’ Compensation Unit and the Safety Unit can be improved to enhance the Workers’ Compensation Program.

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<tr>
<th>RECOMMENDATION 1.5</th>
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<tr>
<td>AGREE</td>
<td>September 1, 2012</td>
<td>Bob Gibson, Manager CR&amp;CF, 720-913-9383</td>
</tr>
</tbody>
</table>
Narrative for Recommendation 1.5:
Responsibility for the Risk Management Office was only recently assigned to the CR&CF Manager. During the first quarter of 2012, the Manager will evaluate the various programs of the entity. In addition, CSA has initiated a Manager’s Classification Study that includes the heads of the two work groups. The CSA study is expected to be completed by the end of 2012. The Manager will evaluate the findings and observations to develop the Risk Management Office expectations along with a structured process to improve communication.

RECOMMENDATION 1.6: Websites – The Risk Management Office should determine who is responsible for the agency websites to ensure up-to-date and accurate information is available for City employees with regard to the workers’ compensation process and safety concerns.

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<th>RECOMMENDATION 1.6</th>
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<td><strong>Agree or Disagree with Recommendation</strong></td>
</tr>
</tbody>
</table>
| AGREE | June 30, 2012 | Ray Sibley 
Director Risk Management 
720-913-3349 |

Narrative for Recommendation 1.6:
A review of all Risk Management information on the City’s internet website, “denvergov” and the internal network, “dot” will be reviewed, updated and maintained by Risk Management.

RECOMMENDATION 1.7: Modified Duty Letter – The Workers’ Compensation Unit should utilize the scanning capabilities of the STARS system to standardize record keeping as it relates to the modified duty letter.

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<th>RECOMMENDATION 1.7</th>
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<td><strong>Agree or Disagree with Recommendation</strong></td>
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</tbody>
</table>
| AGREE | March 15, 2012 | Alan Hutchins 
Workers Compensation Supervisor 
720-913-3231 |
Narrative for Recommendation 1.7:
Because it would be more efficient to have these documents available electronically, Workers Compensation will initiate an internal work flow to attach the signed copies of modified duty letters into the STARS comments.

RECOMMENDATION 1.8: Cost Saving Options – The Manager of Cash Risk and Capital Funding should review potential personnel cost saving options with Department of Safety management regarding administration of the Workers' Compensation Program.

<table>
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<tr>
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<th>Target date to complete implementation activities (Generally expected within 60 to 90 days)</th>
<th>Name and phone number of primary individual responsible for implementation</th>
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</thead>
</table>
| AGREE                                 | April 30, 2012                                                                          | Ray Sibley  
                                      |                                                                                | Director of Risk Management  
                                      |                                                                                | 720-913-3349 |

Narrative for Recommendation 1.8:
Workers Compensation has outreached to the Manager of Safety's Office and Safety Human Resources to schedule a meeting to discuss this issue. With the newly appointed Police Chief performing a full review of tasks performed by sworn officers, this issue will be presented as a recommendation for the Chief to consider.

RECOMMENDATION 1.9: Cost-Benefit Analysis – The Risk Management Office should conduct a cost-benefit analysis to determine whether it is more economical to retain CorVel or to bring the medical review process in house. If the analysis shows that it would be more cost-effective to have this function in-house, Risk Management should consider doing so accordingly.

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<th>Name and phone number of primary individual responsible for implementation</th>
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</thead>
</table>
| AGREE                                 | March 30, 2012                                                                          | Ray Sibley  
                                      |                                                                                | Director of Risk Management  
                                      |                                                                                | 720-913-3349 |
Narrative for Recommendation 1.9:
Workers Compensation will perform a cost benefit analysis of bringing the medical review internal to the City. This review will include the impacts of the discounts a third party provider can deliver considering the volume the City will generate.

RECOMMENDATION 1.10: Prescription Drug Reviews – The Risk Management Office should consider implementing a dollar threshold policy for myMatrixx prescription drug reviews.

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<th>RECOMMENDATION 1.10</th>
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<tr>
<td>AGREE</td>
<td>April 30, 2012</td>
<td>Raylene Smith Nurse Program Manager 720-913-3347</td>
</tr>
</tbody>
</table>

Narrative for Recommendation 1.10:
A review of the prescription drug usage will be performed in conjunction with the provider to determine a reasonable dollar threshold for implementing a drug review by myMatrixx. The Nursing Programs Manager will present this recommendation and proposed policy impacts to the Workers Compensation Director for review and approval.

RECOMMENDATION 1.11: Policies and Procedures – The Workers’ Compensation Unit should include the ISO claims search process in the policies and procedure manual to ensure that this vital function is performed for all indemnity claims.

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<th>RECOMMENDATION 1.11</th>
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<tr>
<td>AGREE</td>
<td>March 1, 2012</td>
<td>Alan Hutchins Workers Compensation Supervisor 720-913-3231</td>
</tr>
</tbody>
</table>

Narrative for Recommendation 1.11:
The procedure manual will be reviewed to include this procedure. Training of staff on this requirement will be completed by the Target date, with the WC Supervisor responsible for the staff’s compliance.
Comments:
Having only recently been designated as responsible for this work division, I am very pleased that your staff concluded, "The Workers' Compensation Program appears to be effectively managed and focused on continuous improvement. Recent Program enhancements include better record keeping, improved personnel skill sets, compliance with rules and regulations, and implementation of a new employee time and leave accountability system..." The audit report accurately identified several opportunities to further improve the Worker's Compensation Program, and your audit provides an excellent roadmap for effecting these improvements. I want to thank the audit team for conducting a very professional audit. The Risk Management staff has made many positive comments about the professionalism and expertise the audit team exhibited.

Please contact Ray Sibley at 720-913-3349 with any questions.

Sincerely,

[Signature]

R.O. Gibson
Manager Cash, Risk, & Capital Funding
Department of Finance

cc: Beth A. Machann, City Controller
    Kelli Bennett, Director of Financial Reporting & Analysis
    Ray Sibley, Risk Manager