



Report of the Vermont State Auditor

July 22, 2013

WORKERS' COMPENSATION PROGRAM

Workplace Safety Activities Not
Consistently Performed and
Recommendations Not Always
Implemented

Douglas R. Hoffer
Vermont State Auditor
Rpt. No. 13-05

Mission Statement

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STATE OF VERMONT
OFFICE OF THE STATE AUDITOR

July 22, 2013

Addressees (see last page of letter)

Dear Colleagues,

Attached is our audit report of the Office of State Employee Workers' Compensation and Injury Prevention (WCP) for fiscal years 2008-2012. The WCP has the dual responsibility of administering the workers' compensation program for state government employees and promoting policies and actions to reduce injuries and illness that may lead to future claims.

As a service provider, state government's most important asset is its workers. The WCP seeks to protect employees from injury and to avoid indirect costs, such as lost productivity. For this performance audit, we chose to look at the frequency and cost of claims, the efforts to prevent injuries, and whether departments implemented WCP's recommendations.

Based on actuarial estimates, the WCP is expected to pay \$8 million in claims per year on average over the last five years,¹ including the cost of paying injured employees who cannot work. Payments to injured workers averaged approximately \$1.4 million in the past three fiscal years. Claims involving medical care and lost work have declined slightly in recent years, but "incident only" reports, which are not workers' compensation claims, have increased significantly due to better reporting procedures.

The WCP safety evaluation protocols require a review of all reported workplace incidents. Such reviews are intended to help improve working conditions, avoid further incidents, and educate workers and supervisors about proper safety practices. We examined a statistically significant sample of incidents and found that the WCP failed to conduct safety evaluations almost a quarter of the time. One underlying cause of the problem is inadequate staffing. The WCP had four safety coordinators in 2010 but has only two today. These two individuals must deal with about 1,000 incidents per year, in addition to their other duties. It is noteworthy that a 2003 loss prevention study of the program recommended eight safety coordinators.

WCP also relies on safety employees in other departments to conduct incident reviews (e.g., AOT and BGS). However, this process is not well coordinated and WCP did not always know the results of the departmental reviews.

¹ It can take years for the full expense of a workers' compensation claim to be paid, so the state employs an independent actuary to estimate its ultimate losses. In the latest actuary report, the ultimate losses for incidents that occurred between FY 2008-2012 was estimated to be \$40 million for the five-year period.

As for follow-up, the departments with high workers' compensation claims had implemented less than two-thirds of the WCP recommendations that were reviewed by our auditors, even though some of them were made several years ago. WCP sends the recommendations to Department of Human Resources staff members rather than to the departments of the affected workers.

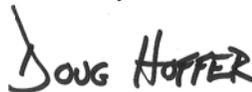
Among other injury prevention actions taken by the WCP, some staff time and outside consultant services are devoted to ergonomic assessments for state employees. This type of preventive effort is sensible, but the WCP does not have the authority to require departments to adopt its recommendations.

We had hoped to examine trends in the types of injuries reported but were unable to do so because the data in the WCP computer system were not reliable. We found numerous errors related to the characterization of injuries (i.e., body parts, causes, etc.), which is a problem because this information is used to monitor and evaluate statewide injury trends and exposures to determine whether they are being properly addressed. WCP needs to establish and implement updated policies and procedures.

Prevention is the key to reducing expenditures for workers' compensation claims and lost time due to workforce injuries. Although prevention activities may require an investment of resources, the benefits to state workers and the state budget are long-lasting. I urge the administration to direct departments to adopt WCP recommendations in a timely manner, to act promptly on this report's safety recommendations, and to consider various financial incentives and/or penalties to strengthen the State's commitment to workforce safety. In addition, the administration and the legislature should consider adding more safety coordinators to WCP to expand its safety efforts. For its part, the WCP should improve its record keeping and its communications and coordination with other departments.

State employees deserve a safe workplace and taxpayers have a right to expect the State to make the investments necessary to reduce workforce injuries and related costs. This performance audit provides managers and policy makers with the information necessary to help the WCP achieve both goals.

Sincerely,

A handwritten signature in black ink that reads "DOUG HOFFER". The letters are bold and slightly slanted, with a distinctive loop on the 'D'.

Douglas R. Hoffer
Vermont State Auditor

ADDRESSEES

The Honorable Shap Smith
Speaker of the House of Representatives

The Honorable John Campbell
President Pro Tempore of the Senate

The Honorable Peter Shumlin
Governor

Mr. Jeb Spaulding
Secretary
Agency of Administration

Mr. Brian Searles
Secretary
Agency of Transportation

Mr. Michael Obuchowski
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Department of Buildings and General Services

Mr. Andrew Pallito
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Department of Corrections

Mr. Paul Dupre
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Department of Mental Health

Mr. Keith Flynn
Commissioner
Department of Public Safety

Ms. Melissa Jackson
Administrator
Vermont Veterans' Home

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Introduction

According to the Occupational Safety and Health Administration (OSHA), every year more than 4.1 million workers suffer a serious job-related injury or illness.¹ Such workplace incidents can cause physical, financial, and emotional hardship for workers and their families. Incidents can also cause employers to incur substantial costs. These costs involve not only workers' compensation costs, but also indirect costs, such as lost productivity and replacement costs of damaged property. OSHA reports that injury and illness prevention programs can both protect workers and reduce employer costs.

The Office of State Employee Workers' Compensation and Injury Prevention (WCP) within the Agency of Administration is responsible for administering the workers' compensation program for state government and promoting safe work environments. WCP reported that it paid about \$7.5 million in workers' compensation claims in fiscal year 2012. About 81 percent of these payments were for claims prior to fiscal year 2012 because it can take months, and in some cases years, for the total amount of a claim to be fully realized.

The state employees workers' compensation program is self-insured and has unlimited exposure to liability. As a result, policies and actions that reduce claims costs, such as injury and illness prevention mechanisms, can provide a direct savings to the State. Accordingly, we decided to review the processes used by WCP to prevent future injuries and illnesses. Our objectives were to (1) summarize and identify trends in state government workers' compensation claims² for injuries reported to WCP between fiscal years (FY) 2008 and 2012, (2) identify WCP's activities to prevent future worker injuries and evaluate the scope of these activities, and (3) evaluate whether departments³ with a high amount of workers' compensation claims have implemented WCP recommendations to improve worker safety.

Appendix I contains the scope and methodology we used to address these objectives. Appendix II contains a list of abbreviations used in this report.

¹ *Injury and Illness Prevention Programs: White Paper* (Occupational Safety and Health Administration, January 2012).

² Our analysis included all incidents that were reported to WCP even though not all incidents become claims (e.g., a worker may not require medical treatment in the incident that is reported to WCP). Because this audit is concerned with workplace safety, all reports of incidents reflect potential worker injuries and can be investigated for the purposes of preventing similar events in the future.

³ For purposes of this report, we will use the term "departments" to refer to all state organizations.

Highlights: Report of the Vermont State Auditor

Workers' Compensation Program: Workplace Safety Activities Not Consistently Performed and Recommendations Not Always Implemented

(July 2013, Rpt. No. 13-05)

Why We Did This Audit	Safer workplaces are beneficial to employees and employers and can result in fewer workers' compensation claims. Accordingly, our objectives were to (1) summarize and identify trends in state government workers' compensation claims for injuries reported to WCP between FY 2008 and 2012, (2) identify WCP's activities to prevent future worker injuries and evaluate the scope of these activities, and (3) evaluate whether departments with a high amount of workers' compensation claims have implemented WCP recommendations to improve worker safety. The scope of our audit included all incidents that were reported to WCP, even though not all incidents become claims (known as incident-only reports).
Objective 1 Finding	<p>Between FY 2008-2012, state workers reported 4,825 incidents to WCP that, as of December 31, 2012, had resulted in about \$27.3 million in payments for claims. At this point, it is unknown how much will ultimately be paid to satisfy the FY 2008-2012 claims. It can take years for the full expense of a workers' compensation claim to be paid, so the state employs an independent actuary to estimate its ultimate losses. In the latest actuary report, the ultimate losses for incidents that occurred between FY 2008-2012 was estimated to be about \$40 million.</p> <p>Except for incident-only reports, which showed a marked increase between FY 2011 and 2012, the number of workers' compensation claims was steady and decreased slightly over the five-year period. Almost three-quarters of all incidents that happened in FY 2008-2012 occurred in six organizations (listed from the most to the least): the Agency of Transportation, Department of Corrections, Department of Public Safety, Vermont State Hospital, Department of Buildings and General Services, and the Vermont Veterans' Home.</p>
Objective 2 Finding	<p>To prevent future injuries, WCP performed safety evaluations of reported incidents and undertook other activities, but these actions were not always completed as required. According to WCP's draft workplace safety evaluation protocols, safety coordinators are to evaluate all incidents that are reported. Our statistical sample of 124 incidents that occurred between February 12, 2010 and June 30, 2012 found that 23 percent did not undergo an evaluation by a safety coordinator. Projected to the universe of 2,279 incidents, we estimate that 533 incidents did not undergo a safety evaluation during this timeframe. Moreover, our review of the 124 cases also found significant deviations from the draft WCP safety evaluation protocol. Nearly every incident represents an opportunity to implement a safer work environment and reduce claims. The results of the statistical sample indicate that WCP is missing significant opportunities to identify and recommend safety fixes.</p> <p>An underlying cause of WCP's failure to execute safety evaluations consistent with its draft protocol is that it has limited staff resources devoted to safety activities. WCP used to have four safety coordinators, but since mid-2012 has employed only two safety coordinators, as staff members have left and not been replaced.</p>

Highlights (continued)

<p>Objective 3 Finding</p>	<p>Departments with a high amount of workers' compensation claims had implemented less than two-thirds of the recommendations made by WCP's safety coordinators in the 25 reports we reviewed, even though some of them were made several years ago. The ranges were a 50 percent implementation rate at the Department of Public Safety to a 75 percent implementation rate at the Department of Corrections. Even for those recommendations in which corrective action was taken or was in the process of being taken, the actions were not always timely. For example, one department completed an action in April 2013 that WCP had recommended in October 2010, which the department attributed to not being aware of the report until this audit.</p> <p>This modest showing can be attributed to (1) ineffectual WCP communication, (2) the lack of a mechanism by either WCP or the departments to track the status of recommendations, and (3) the lack of explicit monetary incentives for departments to enact WCP's recommendations or other safety measures.</p>
<p>Other Matters</p>	<p>During the course of performing our analyses of the data in the system WCP uses for claims management (operated by a contractor), we found data errors in some fields and significant information technology control weaknesses. The data errors were in fields that can be used to look for statewide injury trends—cause of injury, nature of injury, and body part. These errors were exacerbated by the lack of up-to-date policies and procedures related to claims processing.</p> <p>WCP also had poor information technology controls. In particular, in early May 2013, almost a quarter of the users (both state and contractor employees) were given unfettered access to data and functions in the system and the security was not set up to enforce strong separation of duties. Duties should be separated so that no one individual can control or perform all key aspects of a transaction or event in order to reduce the opportunity of fraud or errors. The WCP manager subsequently changed some of the access levels, but found that others could not be fixed because of adverse impacts on WCP's ability to process payments and issue checks in a timely manner. This, in part, is because the business roles established for at least two of the users required them to have access to all key aspects involved in paying a workers' compensation claim. The WCP manager indicated that it can be difficult to separate duties in a small organization. In such cases, the state's internal control standard indicates that organizations can substitute increased review or supervision, but WCP did not have such compensating controls in place. The weak system access controls coupled with the lack of compensating controls means that WCP is at high risk that inappropriate actions (intentionally or unintentionally) could be taken by users.</p>
<p>What We Recommend</p>	<p>We made recommendations to improve WCP's safety evaluations process and information technology controls. We also recommend considering whether (1) adding more safety coordinators would be cost beneficial and (2) the calculation of workers' compensation premiums could include incentives or penalties. (See pages 28-30.)</p>

Background

According to 21 VSA §201(a), employers should provide safe and healthful working conditions at their workplace and insofar as practicable no employee should suffer diminished health, functional capacity or life expectancy as a result of his or her work experience. State government workplace safety is addressed by three primary groups: WCP, the Safety and Health Maintenance Committee, and individual departments. In addition, state government is subject to the safety standards promulgated by the Vermont Occupational Safety and Health Administration (VOSHA).

The mission of WCP is to manage the state's workers' compensation claims in a fair, timely, and accurate manner and to promote safe work environments and prevent work-related injuries and illnesses through training and on-site consultation. Its FY 2013 budget was about \$1.5 million with 15 positions.⁵ The performance measure that WCP has established for workplace safety is to reduce the work-related accident frequency and severity rates by 15 percent per year in FY 2014 and 2015.⁶ It has also developed related strategies, including: (1) establishing a statewide safety initiative by September 30, 2013 to increase safety awareness and make accident prevention part of standard operating procedures, and (2) issuing an executive order by September 30, 2012 that holds agencies and departments responsible and accountable for compliance with the new safety program. (As of mid-June 2013, WCP was still drafting the executive order.)

The state's collective bargaining agreements establish a Safety and Health Maintenance Committee. This committee consists of representatives from both state government and the Vermont State Employees' Association and the Vermont Troopers Association. Among its responsibilities as set forth in the collective bargaining agreements are developing general guidelines and procedures for use in the departments and reviewing grievances and complaints.

According to the Department of Human Resources' management liaison to this committee, the safety and health committee delegated responsibility for creating and implementing safety procedures/guidelines to the state's

⁵ As of June 7, 2013, WCP had 13 employees on board.

⁶ WCP's performance measures and strategies are contained in the Department of Buildings and General Services' strategic plan for 2011-2015. Until recently, WCP was administratively a part of this department.

departments years ago because it was believed that they were better equipped to determine what is appropriate.

VOSHA's enforcement section also holds the departments responsible for ensuring that they meet its safety standards, which largely mirror those of the federal government. According to the federal OSHA's Integrated Management Information System, between February 1, 2008 and January 31, 2013, VOSHA conducted 28 inspections of Vermont governmental entities, including the Agency of Transportation, a correctional facility, the Vermont Veterans' Home, and the Department of Buildings and General Services.

VOSHA's consulting program, known as Project WorkSAFE, is a resource that state departments can use to improve their safety posture. Project WorkSAFE is a confidential program whereby an organization invites staff from this program to inspect their facilities, who then compile a list of hazards (which the organization is required to correct) and provide assistance in hazard correction. In addition, VOSHA has partnered with the Green Mountain Voluntary Protection Program (GMVPP), which promotes effective worksite-based safety and health. Once an organization meets a certain average injury/illness rate, it is invited to apply to be a member of GMVPP and must undergo a rigorous on-site evaluation by a VOSHA team to be accepted. Acceptance indicates that an organization has exemplary safety and health programs and has demonstrated a superior management commitment to the safety and health of their employees. **As of late May 2013, no state government organizations were members of GMVPP.**⁷

Objective 1: Millions Spent Each Year on Workers' Compensation Claims for State Employees

Between FY 2008 and 2012, there were 4,825 incidents reported to WCP, which resulted in \$27.3 million in paid claims through December 31, 2012. There were no marked trends in the five-years' worth of data, as the number of incidents and amount of estimated losses held fairly steady and changes could be attributed to improved reporting of incident-only reports. However, we did not analyze injury characterization data due to concerns related to the reliability of WCP's computer-processed data in the fields that would be used for such an analysis. A discussion of these concerns is contained in the

⁷ The Agency of Transportation's VTRANS district 7 became a member in April 2009, but voluntarily resigned its membership in September 2012.

section entitled *Other Matters: Claim System Had Errors and Significant Control Weaknesses* later in the report.

Employees, supervisors, and Department of Human Resources (HR) administrators generally report incidents to WCP via an on-line form. A contractor-operated system, called iVOS, performs the initial determination of whether the incident is a workers' compensation claim. WCP personnel may change incident types as circumstances about the event and its consequences become better known. In addition, for incidents determined to be workers' compensation claims, WCP has 21 days from the date that the employee notifies his/her employer of the injury to determine whether the claim is compensable (the determination to accept or deny a claim). WCP performs paperless claims adjudication, medical case management, medical bill re-pricing and payment processing utilizing iVOS. The contractor processes checks for WCP-approved payments.

Table 1 summarizes the types of incidents by number (4,825) and amount paid (\$27.3 million) for the past five fiscal years (incidents that occurred between July 1, 2007 and June 30, 2012 that were reported as of December 31, 2012).

Table 1: Summary of the Types of Incidents, FY 2008-2012^a

Incident Type	Description	Total Number	Amount Paid^b (as of 12/31/12)
Medical-only	A workers' compensation claim in which the employee has sought medical attention for a work-related injury/illness. In this type of claim, an employee has not lost time from work in excess of the 3 full day or 7 partial day waiting period (with the exception of time spent at a medical care provider).	2,384	\$3,558,165
Indemnity	A workers' compensation claim in which an employee has presented a note from the treating physician indicating that he or she may not work due to a work-related injury or illness. The employee's weekly workers' compensation benefit rate is generally 66 2/3 percent of the employee's average weekly wages (there is a minimum and maximum rate).	967	\$23,758,910
Death benefit	A workers' compensation claim in which a fatality occurred. The employer pays compensation to the spouse or dependents and up to \$5,500 for funeral and burial expenses.	1 ^c	\$794
Incident-only	These are not workers' compensation claims but are events in which there was a workplace injury that did not require medical treatment or lost time from work.	1,473	\$1,748

^a Reported as of December 31, 2012.

^b These amounts were not adjusted to account for third party payments to the state (about \$200,000 for FY 2008-2012 claims as of December 31, 2012).

^c WCP denied this claim and the payments were for the state's legal services.

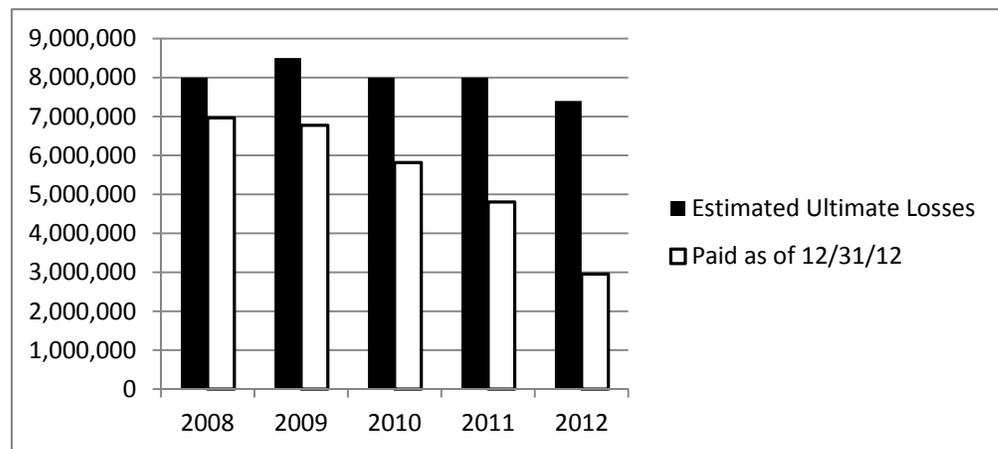
It can take years for the full expense of a workers' compensation claim to be paid. For example, surgery or physical therapy related to the original injury can happen in later years, or the employee's injuries can be so severe that they are out of work for extended periods of time with the state paying a portion of their salaries. In fiscal year 2012, the WCP was still making payments related to claims from the 1990s. In addition, claims can sometimes be made years after the event or diagnosis. For example, in March 2013 an employee reported a back injury that she attributed to an uncomfortable workstation assigned to her in September 2011 after moving offices as a result of Tropical Storm Irene.

As a result, analysis based on the payments that have been made on workers' compensation claims at a given point in time can be misleading because it may not reflect the State's true loss exposure. The State contracts with an independent actuary to obtain an estimate of the ultimate expected losses associated with each fiscal year's claims, including those claims that have been incurred, but not reported.⁸ In the latest actuary report, the ultimate losses for incidents that occurred between FY 2008-2012 was estimated to be \$39.9 million.

⁸ For example, for the FY 2012 timeframe the actuary projected that an additional 41 claims would be submitted.

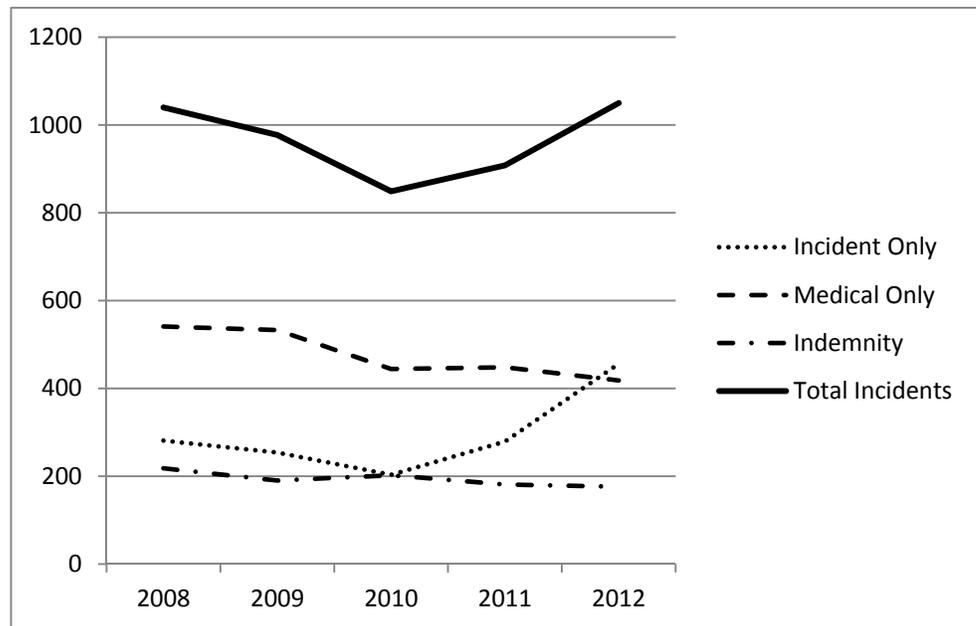
Figure 1 shows that the State's actuary estimates of the ultimate losses for the FY 2012 claims are less than those for the claims submitted in the prior four fiscal years. The figure contrasts the estimated ultimate losses to that which had been actually paid on claims for incidents in each of the past five fiscal years, as of December 31, 2012. The paid amounts in Figure 1 are expected to rise over time as payments continue to be made on these claims.

Figure 1: Amounts Paid as of 12/31/12 vs. the Actuary's Estimates of Ultimate Losses Related to Claims for Incidents That Occurred in Fiscal Years 2008-2012



Over the past two fiscal years, WCP has been receiving more incident reports. However, as Figure 2 demonstrates, the number of incident-only reports accounts for the increase, as medical-only and indemnity claims have stayed relatively steady or have gone down. This increase in incident-only reports may be due to the implementation of a new on-line reporting feature in August 2011, which made reporting more direct and convenient (e.g., in the past the HR administrator was the likely recipient of the first report before it was sent to WCP). WCP strongly urges that all work-related employee injuries be reported, whether or not medical treatment is sought.

Figure 2: Type of Incident^a by Fiscal Year^b



^a In fiscal year 2012, there was also one death benefit claim.

^b Reported as of December 31, 2012.

Almost three-quarters of all incidents that happened in FY 2008-2012 occurred in six organizations (listed from the most to the least): the Agency of Transportation, Department of Corrections, Department of Public Safety, Vermont State Hospital, Department of Buildings and General Services, and the Vermont Veterans' Home (see Figure 3).

Figure 3: Number of Incidents between FY 2008-2012 Reported as of 12/31/12, by Department

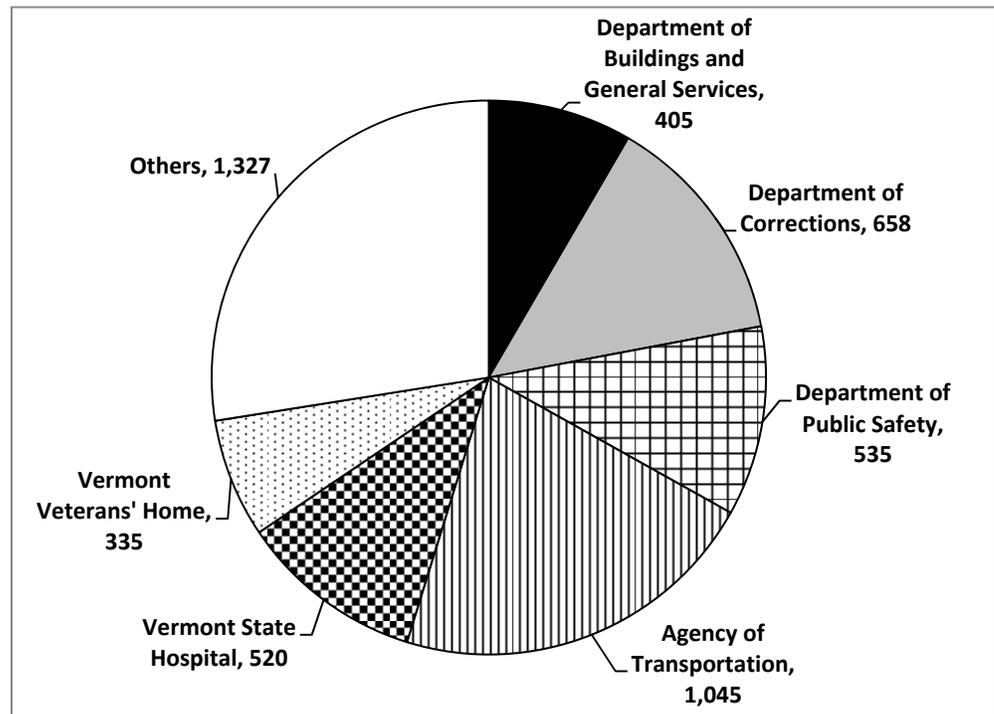


Table 2 shows the types of incidents that were reported over time for each of the six departments with the highest number of reported incidents between FY 2008-2012. We did not perform work at the departments to ascertain reasons for these changes but note that there was a significant decline in the number of medical-only and indemnity claims reported by State Hospital employees between fiscal years 2011 and 2012, which reflects the discontinued use of the State Hospital in Waterbury due to the flooding from Tropical Storm Irene in August 2011. In addition, the three departments that showed increases in the number of incidents reported between FY 2011-2012 (Department of Corrections, Department of Public Safety, and Vermont Veterans' Home), all had a significant jump in incident-only reports. Since this corresponds with the advent of on-line incident reporting in August 2011, these increases are likely a reflection of better reporting.

Table 2: Number and Types of Incidents Reported for the Organizations with the Six Highest Number of Incidents, FY 2008-2012

Fiscal Year	Department of Buildings and General Services			Department of Corrections			Department of Public Safety			Agency of Transportation			Vermont State Hospital			Vermont Veterans' Home		
	MO	IN	IO	MO	IN	IO	MO	IN	IO	MO	IN	IO	MO	IN	IO	MO	IN	IO
2008	28	28	39	82	30	16	56	16	27	111	43	60	37	34	38	34	20	4
2009	36	20	39	96	30	5	62	13	24	105	36	72	51	47	45	29	11	2
2010	30	16	24	65	35	10	57	21	22	87	28	72	42	40	15	28	24	3
2011	27	16	40	62	28	16	70	14	21	92	41	96	42	28	46	33	22	1
2012	22	16	24	62	42	79	67	15	50	79	30	93	16	2	37	34	23	67
Total	143	96	166	367	165	126	312	79	144	474	178	393	188	151	181	158	100	77

Legend: MO=medical-only claim
 IN=Indemnity claim
 IO=Incident-only report

Objective 2: WCP Did Not Perform About a Quarter of Required Safety Evaluations

Based on a statistical sample, we estimate that WCP did not perform required safety evaluations for almost a quarter of reported incidents between February 12, 2010 and June 30, 2012. In addition, many of the safety evaluations that were performed were not conducted in accordance with WCP's draft protocol. These evaluations are an important element in an effective health and safety program because they reduce the likelihood that a similar accident or incident will recur. An underlying cause for this result is that WCP currently has only two safety coordinators (it had four in 2010). These limited resources are stretched, as the safety coordinators are

responsible for both the safety evaluations and other injury prevention activity, such as preventive ergonomic assessments.

Safety Evaluations

According to the Department of Labor's guidance, one element of an effective health and safety program is investigating all accidents and near-miss incidents.⁹ Such investigations reduce the chance that a workplace accident or incident will happen again. Consistent with this guidance, WCP's draft safety evaluation protocols¹⁰ required safety coordinators to review and conduct safety evaluations¹¹ of all incidents, including those that did not result in a claim (incident-only). The protocols state that the safety coordinators are to view all workplace injuries as preventable and that incident-only reports present the same opportunity to identify injury prevention recommendations as medical-only and indemnity claims. The safety evaluation may or may not result in a written report.

WCP could not provide evidence that all incidents had undergone a safety evaluation because iVOS does not have such a tracking mechanism. However, this information can be gathered on a case-by-case basis by reviewing entries in iVOS.

To determine whether WCP was conducting safety evaluations as required by its draft protocols, we statistically sampled the 2,279 incidents reported on or after February 12, 2010.¹² To choose the sample size, we used a tolerable deviation rate of 3 percent and confidence level of 98 percent, which yielded 124 incidents to be selected. We used our data analysis software to randomly select the 124 incidents.

Of the 124 incidents selected, iVOS did not contain evidence that safety evaluations were performed for 29 incidents (23.39 percent). Projected to the universe of 2,279 incidents, we estimate that 533 incidents between February

⁹ *Developing an Effective Safety and Health Program: Suggestions for Business Owners and Managers* (Vermont Department of Labor/VOSHA).

¹⁰ WCP provided us with five draft protocols for the period covered by the audit. According to the WCP manager, these draft protocols reflected WCP's practices as of the date on the documents.

¹¹ We use the term safety evaluation to refer to any analysis of workplace safety performed by the WCP safety coordinators as a result of an incident.

¹² This date was used because it was the date of the first draft protocol that explicitly required the safety coordinators to document their activities in iVOS.

12, 2010 and June 30, 2012 did not undergo a safety evaluation.¹³ Each of these circumstances represents a missed opportunity to determine whether safety fixes could be put in place to prevent future similar injuries.

The reasons why individual incidents were not reviewed was generally unclear. In 10 of the 29 cases in which there was no evidence of a safety evaluation there was no safety coordinator assigned to the incident in iVOS. In most of the other cases, a reason could not be ascertained because the safety coordinator could not explain why an evaluation had not occurred or the assigned coordinator had left WCP.

Our review of the 124 cases also found significant deviations from the draft WCP safety evaluation protocol in effect at the time. The draft protocol states that the safety coordinator should conduct evaluations via the telephone or onsite and provides criteria for determining which type of review is appropriate. In both telephonic and onsite reviews the worker and/or supervisor should be contacted. We did not find that this standard was followed consistently in the 89 cases in which a safety evaluation was performed (in six cases the evaluation was ongoing).

- The safety coordinator only reviewed claim documentation in 40 cases and did not contact the worker or supervisor. About half of these cases were the responsibility of the safety coordinator that performs preventive ergonomic assessments. This safety coordinator explained that because of these responsibilities he “triages” the incidents and looks for “worst case scenarios” or compliance issues, and he characterized the claims in which he limited the evaluation to the claim documentation as lower priority claims. In other cases, the safety coordinator attempted to contact the worker, but received no response. Relying on claim documentation reviews instead of telephonic or onsite evaluations may be appropriate in some cases (e.g., when it is clear that the incident does not indicate that there is an ongoing hazard). However, the draft protocols do not address this type of review and, therefore, do not contain criteria for the circumstances under which it is appropriate. This lack of criteria increases the risk that the time constraints of the safety coordinator would determine the selection of a lower level review (i.e., claim documentation review) rather than an assessment of the objective facts of the case.

¹³ Based on a 98 percent confidence level, the rate of the occurrence falls within the range of 350 and 755 incidents.

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- The safety coordinator relied on work being performed by safety employees in the affected departments (the Department of Buildings and General Services and the Agency of Transportation) in 11 cases. The WCP manager explained that because WCP was aware that these officials would be reviewing the incidents, it would be a duplicative effort for the WCP safety coordinators to review the incidents as well. While WCP's intent to avoid duplication is reasonable, there was no written agreement between these departments and WCP laying out the responsibilities of each party. Nonetheless, the WCP manager expected that the safety coordinators would be aware of the departments' safety officials' findings and record this information in iVOS. This did not always occur in the cases reviewed, nor could the departments' safety officials always recall being asked to look at an incident. For example, one department's safety official reported that he did not always receive incident reports from WCP and he did not recall specific incidents. In another case, the iVOS entry stated that the safety coordinator would update the record when he received information from the safety official at the department, but there was no record of follow-up.

An underlying cause of WCP's failure to consistently execute safety evaluations in accordance with its draft protocol is the number of safety coordinators available to perform these evaluations. A January 2003 loss prevention study of the state's workers' compensation program recommended the use of eight safety coordinators.¹⁴ Between October 22, 2007 and June 23, 2010 WCP employed four safety coordinators. Since mid-2012 this number had been cut in half to two safety coordinators, as two staff members left WCP employ. These safety coordinators have not been replaced and there were no open positions as of mid-May 2013.

According to the contractor who performed the 2003 loss prevention study, large commercial or governmental entities use a ratio of one loss control coordinator per 1,000 to 1,500 employees. In its latest annual report, the Department of Human Resources reported that there were about 7,800 employees in the executive branch of state government in FY 2012. Using the contractor's ratios, this would translate to five to eight safety coordinators.

According to the federal OSHA, injury and illness prevention programs help employers avoid the substantial cost impacts and business disruptions that

¹⁴ *Risk Management Loss Prevention Study and Recommendations* (Loss Control Innovations, January 13, 2003).

accompany occupational injuries, illnesses, and death.¹⁵ In addition to the direct costs of injuries, illness, and death, OSHA cited a study that noted that indirect costs (e.g., employee training and replacement costs, lost productivity, replacement costs of damaged material, machinery, and property) can range from 1.1 to 4.5 times the direct costs.¹⁶

WCP has not measured the indirect costs associated with reported incidents nor has it analyzed the costs and benefits of the work performed by its safety coordinators. Such analyses, in conjunction with process improvements such as what is outlined in this report, should determine the optimum number of WCP safety coordinators and may provide a business case for increasing the current number.

Another factor in determining the optimum number of safety coordinators is 29 VSA §1408(a)(5), which limits the amount of funds used for loss prevention programs and actuarial reviews to six percent of the total annual assessment for the state employees' workers' compensation fund. At this time, WCP does not know whether, or how much, funding could be available for additional safety coordinator positions because it does not evaluate whether it is meeting the requirements of 29 VSA §1408(a)(5). Should an analysis of costs find that an increase in safety coordinators would cause WCP to exceed this statutory limitation, WCP could consider asking the legislature to modify this restriction.

Other WCP Injury Prevention Activities

In addition to safety evaluations performed as a result of a specific incident, WCP performs other activities to attempt to prevent workplace injuries. WCP does not routinely track the extent to which each of these activities are performed, but they generally fall into three categories: preventive assessments, training, and outreach.

Preventive assessments are reviews of workplace environments that are not performed as a result of a reported incident and may be requested by a state employee or initiated by WCP. The most common type of preventive assessment is an ergonomic assessment.¹⁷ One of WCP's safety coordinators

¹⁵ *Injury and Illness Prevention Programs: White Paper* (Occupational Safety and Health Administration, January 2012).

¹⁶ *Improving Construction Safety Performance: The User's Role* (Stanford University, Technical Report No. 260, 1981).

¹⁷ Ergonomics is the science of designing tools and equipment, the layout of workplaces, and the overall organization of work to improve employee well-being and workplace efficiency.

is an ergonomic specialist and reported that he spends most of his time on these types of assessments. For example, this safety coordinator consults with organizations before and after office moves and stated that he performed 974 preventive ergonomic assessments between FY 2008-2012.

In early 2013, WCP contracted with two firms to provide ergonomic evaluations, risk assessments, and job analyses over a two-year period. According to the contracts, ergonomic evaluations include workstation ergonomic evaluations, assessments of employee position in vehicles, proper use of material handling tools, and evaluations of other identified operations. Risk assessments include background information on the task, documentation of the task's procedures broken down into steps, duration, and issues identified, evaluation of risk per body part for the identified task, and estimates of the forces applied or lifted during task with duration of exposure to applied forces. A job analysis includes a position summary and the percentage of time performing key duties and responsibilities. According to the WCP manager, these contracts were put in place to allow the safety coordinator that currently concentrates on this issue to focus on other workplace safety initiatives.

Since early 2009, WCP has worked with the state's training center, The Summit, to provide statewide on-line health and safety training. This training includes courses in fall protection, ladder safety, back injury prevention, and electrical safety. In addition, in FY 2013, the state selected two contractors to perform in-person safety training on issues such as asbestos awareness, hazard identification, and forklift safety.

Lastly, WCP performs outreach. Since May 2010, WCP has issued monthly statewide safety newsletters (changed to quarterly in 2013). These newsletters include explanations of proper workplace techniques, use of specific equipment, and tips for avoiding injuries and illnesses. In addition, WCP staff members participated in state government health fairs. Further, the WCP manager reported that periodically she and her safety staff have met with management of certain departments to discuss their workers' compensation claims and what actions could be taken to prevent injuries in the future.

Objective 3: Departments Did Not Always Implement WCP Recommendations

The departments with high workers' compensation claims had implemented 64 percent of the recommendations made by WCP's safety coordinators, even

though some of them were made several years ago. This modest rate indicates that departments are not paying enough attention to WCP's safety recommendations and can be attributed to (1) ineffective WCP communication, (2) the lack of a mechanism to track the implementation of the recommendations by WCP and the departments, and (3) the lack of explicit monetary incentives for departments to enact the recommendations or other safety measures.

We judgmentally chose 25 WCP reports,¹⁸ five for each of the following departments, which accounted for five of the six departments¹⁹ with the highest claim amounts: the Agency of Transportation, the Department of Buildings and General Services, the Department of Corrections, the Department of Public Safety, and Vermont Veterans' Home. These organizations accounted for about 62 percent of the reported incidents between FY 2008 and 2012.

Based on information received from the five departments regarding corrective actions, a little less than two-thirds of the recommendations had been implemented even though some of the reports had been issued years ago (see Table 3). The responses ranged from a 50 percent implementation rate at the Department of Public Safety to a 75 percent rate at the Department of Corrections.

¹⁸ Most of these reports were safety evaluations that were performed as a result of a specific incident. However, we also chose to review two preventive ergonomic assessments and one facility audit done at the Department of Corrections.

¹⁹ We did not include the Vermont State Hospital in our recommendation analysis because most of the reports with recommendations that we identified pertained to the State Hospital facility in Waterbury that is no longer in use because of damage from Tropical Storm Irene.

Table 3: Summary of Departments' Implementation of WCP's Safety Recommendations

Organization	Report Date	Recommendations ^a			Total
		# Fully Implemented ^b	# Partially Implemented ^c	# Not Implemented ^d	
Agency of Transportation	12/13/11	4			4
	04/23/12		1	1	2
	07/26/11	1			1
	06/17/10	3	1		4
	11/15/11	3	1		4
Total (%)		11 (73%)	3 (20%)	1 (7%)	15
Department of Buildings and General Services	01/14/08	1		1	2
	01/05/09	3		2	5
	03/10/09	1			1
	12/13/11	1			1
	05/10/11	2			2
Total (%)		8 (73%)		3 (27%)	11
Department of Corrections	10/20/10	4			4
	03/04/10			1	1
	12/07/11	5			5
	12/21/11			1	1
	02/03/12			1	1
Total (%)		9 (75%)		3 (25%)	12
Department of Public Safety	06/05/12	1			1
	05/31/12	2	2	4	8
	02/15/12	3	3	3	9
	12/17/12	3		1	4
	12/06/11	4			4
Total (%)		13 (50%)	5 (19%)	8 (31%)	26
Vermont Veterans' Home	03/30/10	2			2
	08/05/09	1			1
	01/30/08	2			2
	04/12/12	3	2		5
	06/08/12	1	1	2	4
Total (%)		9 (64%)	3 (21%)	2 (14%)	14
Grand Total (%)		50 (64%)	11 (14%)	17 (22%)	78

^a Percentages may not add to 100 percent due to rounding.

^b Fully implemented means the organization adopted the recommendation substantially or in its entirety.

^c Partially implemented means that part of the recommendation was implemented, but the intent of the recommendation has not been fully satisfied.

^d Not implemented means that no part of the recommendation was implemented. Included in this category are those recommendations in which the departments did not know whether the recommendation had been implemented or did not provide evidence of a corrective action.

In addition, even for those recommendations in which corrective action was taken or was in the process of being taken, the actions were not always timely. In some cases, it took more than a year for the corrective action to be implemented.

The following are examples of WCP's recommendations that departments did, and did not, report as having corrected (or were in process).

- On July 26, 2011, WCP recommended that the Agency of Transportation repair a paint carriage hydraulic system to allow the unit to be lifted into the full upright position to avoid the employee having to lift the carriage manually. The Agency of Transportation purchased a new system in October 2011.
- On May 10, 2011, WCP recommended that an employee of the Department of Buildings and General Services complaining of wrist pain utilize a fully articulating keyboard tray and natural wrist keyboard. The department purchased the necessary equipment for the employee shortly thereafter.
- On October 20, 2010, WCP recommended that the Northern State Correctional Facility secure free-standing bookcases in its library to the wall. The book shelves were secured on April 22, 2013. An assistant superintendent at this facility explained that he and others at the facility did not recall receiving the report and arranged for the corrective action to be taken once he received the report that accompanied our request for information about corrective actions.
- On November 29, 2011, WCP recommended that the Department of Public Safety develop and implement a hearing conservation program in accordance with an Occupational Safety and Health Standard. The Department of Public Safety provided a copy of a draft policy and reported that it was undergoing review.
- On April 12, 2012, WCP recommended that the Vermont Veterans' Home implement an electronic medical records and charting program to alleviate the need for extensive manipulation and storage of resident charts. The Vermont Veterans Home stated that it is in the process of finalizing the selection of software to perform this function, with a completion date scheduled for fall 2013.

The most common reasons that organizations cited for the recommendations that were not fully implemented were: (1) corrective actions in process that were not yet complete, (2) disagreements with WCP's recommendation, and

(3) funding. For example, in a report pertaining to the State Police, WCP recommended that the Department of Public Safety recruit a full-time safety professional. According to a Captain in the State Police, funding was not available for this position, but he reported that two state troopers were assigned to serve in this role part-time.

In addition to departments' recommendation-specific rationales for not fully implementing WCP's recommendations, there were also three underlying causes.

- *Ineffectual WCP Communication.* WCP did not consistently direct its reports to the department responsible for implementing the recommendations. WCP's *Vermont State Employers' Guide to Workers' Compensation and Injury Prevention* states that safety evaluations are sent to the HR administrators and supervisors. In addition, WCP expects HR administrators to distribute the report to the appropriate member of the department's management. This is an indirect method of communicating with the departments' management because the HR administrators are employed by the Department of Human Resources, not the department that employs the worker. Moreover, in 19 instances there was no evidence that the report was sent directly to the supervisor or to others in the responsible department.
- *Ineffective Process to Track Status of Recommendations.* Neither WCP nor the departments had established effective processes to communicate and track whether the recommendations were being implemented. The state's Internal Control Standard²⁰ states that monitoring of internal control should include policies and procedures for ensuring that findings of audits and other reviews are promptly resolved. As of March 2, 2011, WCP's draft safety evaluation protocol required that the safety coordinators follow-up on report recommendations. The current draft protocol requires that a recommendation follow-up letter be sent to the HR administrators 30 days after the recommendations have been provided. WCP states in its follow-up letter that it requests information on the status of recommendations to gauge the effectiveness of their evaluations and recommendations. However, **WCP did not always send out recommendation follow-up letters, the departments often did not respond when the letter was sent, WCP did not track whether departments were responsive to its requests, and WCP did not have a**

²⁰ *Internal Control Standards: A Guide for Managers* (Department of Finance and Management).

mechanism in place to calculate the percentage of recommendations that had been implemented.

With respect to the six departments with the highest claim amounts (we included the Vermont State Hospital in this part of our analysis), only one had designated a specific individual at the department to receive all WCP safety evaluation reports. **None of the six departments had processes in place to track whether recommendations were implemented.**²¹

- *Lack of Impact.* **There was no impact on the departments for implementing, or not implementing, WCP’s safety recommendations.** Specifically, the State does not provide explicit monetary incentives for the departments to implement WCP’s recommendations or otherwise enact safety programs that reduce workers’ compensation claims. Workers’ compensation is funded through the state employees’ workers’ compensation fund. The statute that governs this fund (29 VSA §1408) requires that each program participant be annually assessed an amount to be deposited in this fund to ensure that it is adequately funded. To fulfill this requirement, the Agency of Administration’s Office of Risk Management establishes workers’ compensation premiums for state entities based on the actuarial projections for claims, plus known operating expenses.

The Office of Risk Management manager calculates premiums based on an allocation method that takes into account departmental exposure and experience factors. The premium calculation does not take into account whether an organization has (1) implemented WCP recommendations or (2) otherwise implemented elements of an effective safety program, such as enrollment in the Green Mountain Voluntary Protection Program, which recognizes outstanding efforts of employers and employees who have achieved exemplary occupational safety and health.

Other Matters: Claim System Had Errors and Significant Control Weaknesses

We limited our analysis of workers’ compensation data (objective 1) because of errors in data fields that characterized incidents and significant information

²¹ The Department of Buildings and General Services reported that its six district facility managers track WCP recommendations that pertain to physical plants and sites, but it does not track other types of WCP recommendations.

technology control weaknesses, which caused us to be concerned about the extent to which the electronic files we were provided were reliable. According to U.S. Government Accountability Office (GAO) guidance, in this context, reliability means that computer-processed data are reasonably complete and accurate, meet the auditor's intended purpose, and are not subject to inappropriate alteration.²² Our analysis found data errors in fields that are used to characterize injuries and are used to identify statewide or department-specific injury trends. These errors were exacerbated by the lack of up-to-date policies and procedures related to claims processing. In addition, WCP had poor controls related to the type of system access available to contractor and state employees. Almost a quarter of the users were given unfettered access in iVOS to add, delete, or change data. These access levels, coupled with a lack of compensating controls, such as reports reviewed by management or other oversight mechanisms, indicates a high risk that the data could be subject to unauthorized alteration.

Data Errors

As part of assessing the reliability of computer claim files provided by WCP, we randomly selected 40 incidents using our data analysis software to confirm that certain iVOS data elements that we were planning to use in our analyses of trends were consistent with documents²³ contained in iVOS. We were able to determine that the iVOS fields for the number and types of claims, organization of the worker, and paid amounts were reliable for purposes of our analyses.

However, 13 of the 40 incidents had one or more errors in the iVOS fields that characterized the injury (seven errors related to cause,²⁴ three errors related to the nature of the injury,²⁵ and seven errors related to body parts). For example, one incident was originally reported as caused by being struck by an object resulting in an injured nose. However, what actually occurred was that the employee tripped over a raised concrete platform (i.e., a trip/fall cause) and hurt her lip, tooth, and forehead. In this and other claims with

²² *Assessing the Reliability of Computer-Processed Data* (U.S. Government Accountability Office, July 2009, GAO-09-680G).

²³ For example, iVOS contains copies of the claim decision letters sent to the Vermont Department of Labor, which included the type of claim and the diagnosis.

²⁴ The cause is a description of the event that directly resulted in the injury or illness (e.g., trip, strike against an object).

²⁵ The nature of the injury is the principal physical characteristic of a disabling condition, such as sprain or a cut.

errors, it appeared that the data in the nature of injury, cause, and body part fields had not been changed after the original report had been submitted. According to the WCP manager, WCP staff members were verbally instructed to change the data in iVOS when the original incident information is found to be incorrect. In addition, the manager indicated that some of the errors may have happened during the conversion to iVOS because the tables in the prior system and those in iVOS did not match and WCP had to use “best guess logic” during the data conversion.

Errors related to the characterization of the injury are significant because this type of data is used to monitor and evaluate statewide injury trends and exposures to determine whether they are being properly addressed.²⁶ For example, in January 2012, WCP provided an employee injury and illness analysis to the Workplace Safety and Health Committee that included tables showing the frequency of the nature and cause of injuries for FY 2008-FY 2011.

Errors can be prevented by the application and enforcement of policies and procedures. WCP policies and procedures related to claims processes were out-of-date and incomplete. For example, they reference the prior system used to process claims, not iVOS. According to the state’s internal control guidance, documentation of policies and procedures is critical to the daily operations of a department as they provide direction and help form the basis for decisions made every day by employees. Moreover, step-by-step procedures ensure business continuity and repeatability.

System Controls

Information is a valuable asset that must be protected from unauthorized disclosure, modification, use, or destruction. This is done through limiting who has access to data and what they can do with it (authorization). According to GAO²⁷ and the National Institute of Standards and Technology,²⁸ systems should ensure that authorized users have only the access they need to perform their duties (sometimes called the principle of

²⁶ Although we are not using the cause, nature of injury, or body part fields to draw conclusions, we are providing summary tables in appendices III, IV, and V, respectively, for informational purposes only.

²⁷ *Federal Information System Controls Audit Manual* (U.S. Government Accountability Office, GAO-09-232G, February 2009).

²⁸ *Security and Privacy Controls for Federal Information Systems and Organizations, revision 4* (National Institute of Standards and Technology, Special Publication 800-53, April 2013).

least privilege) and that employees and contractors are restricted from performing incompatible functions or functions beyond their responsibility.

This is consistent with the state's policies and standards. Namely, the state's system security policy requires that access to information systems be granted on the basis of specific job needs (i.e., a "need to know" basis) and controls must ensure that even legitimate users cannot access stored information unless authorized to do so.²⁹ In addition, the state's internal control standard indicates that organizations should separate duties so that no one individual can control or perform all key aspects of a transaction or event.³⁰

Without adequate access controls, unauthorized individuals can surreptitiously read and copy sensitive data and make undetected changes or deletions for malicious purposes or personal gain. Moreover, inadequate access controls diminish the reliability of computerized data.

According to WCP, iVOS processes about 9,400 bills annually, about 8,000 of which are medical and pharmacy invoices. Invoices are scanned into the system and are linked to the specific claim number. The system also records the electronic approval of invoices, medical re-pricing and payment processing, and the reserve established for each approved claim. (A payment cannot be made unless there are sufficient reserves to cover the payment.) In addition, the system contains vendor records.

iVOS controls access to data several ways. User accounts are defined by (1) whether they have security administration privileges, (2) what functions and data in the system they are authorized to access, (3) whether they can add, edit, or delete data (called write access) or are restricted to read-only privileges, and (4) financial limits related to payment and reserves.

As of early May 2013, the access levels in iVOS set up by WCP were seriously deficient. About a quarter of the users were allowed to have unfettered access to data and functions in the system, and iVOS security was not set up to enforce strong separation of duties. Specifically, of the 46 iVOS users (27 contractor users and 19 state government users):

- 11 users (contractor and state employees) had unrestricted authorization and could add, delete, or change any data, including their own security settings;

²⁹ *Information Security Policy* (State of Vermont, November 2, 2010).

³⁰ *Internal Control Standards: A Guide for Managers* (Department of Finance and Management).

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- 9 contractor users had a single restriction on the functions that they could perform in the system, but otherwise had unrestricted authorization levels; and
 - other state users had access that allowed them to control substantial aspects of a workers' compensation claim, including the capability to add vendors and change a payee name and address for a particular payment.

Other organizations that use iVOS place restrictions on system authorization levels so as not to allow the type of access established by WCP. The iVOS system documentation indicates that these restrictions are used to protect the integrity of the claims process and to make fraud more difficult to achieve and, therefore, less likely to occur.

It appears that the contractor's extensive system access was a remnant from when the contractor performed the bill review process for WCP (which ended in November 2011). Based on discussions with the contractor's support staff, the contractor needs very limited write access capability in order to perform its current role—processing checks. For example, there were 10 contractor personnel that could authorize individual payments and claim reserve amounts of up to \$1 million, but according to the contractor lead support staff member, this access level is not necessary to process checks. In addition, the contractor identified seven of its employees that had no need for access to Vermont data.

When these access levels were brought to the attention of the WCP manager, she addressed some of the deficiencies immediately. For example, she inactivated the accounts of the contractor staff who did not need access and removed other contractor's staff ability to authorize payments and reserves. However, the manager discovered that she could not address some deficiencies because it adversely affected WCP's ability to process payments and issue checks in a timely manner. For example, the business roles of at least two of the state users required them to have access to all key aspects involved in paying a workers' compensation claim. The WCP manager plans to make additional changes to iVOS access levels once she can ensure that those changes will not have an adverse effect on WCP's operations.

The WCP manager explained that it can be difficult to separate duties in a small organization. The state internal control standard and GAO acknowledge that it can be difficult to separate duties in this type of situation and state that in these cases management can substitute increased review or supervision as an alternative control activity.

WCP's business practices did not provide compensating controls. In particular, WCP did not (1) have a vendor approval process, (2) confirm that the report the contractor sent detailing the number and amount of the checks processed equaled the amount of the payments WCP authorized, (3) perform management reviews of the payment process (e.g., review that override codes were used properly). The weak system access controls coupled with the lack of compensating controls means that WCP is at high risk that inappropriate actions (intentionally or unintentionally) could be taken by users.

According to GAO and the National Institute of Standards and Technology, access levels should be periodically reviewed to determine whether they remain appropriate. The WCP manager established access controls in iVOS when the system was implemented in mid-2009 and has primary responsibility for maintaining the access levels. The manager noted that she had not reviewed the roles established in iVOS since the system was initially implemented. The manager explained that while she had recognized that she needed to update the roles, she had not realized the extent of the access that had been made available, particularly to the contractor staff.

The WCP manager stated that it had been her intent to relook at the user roles, but had not had the time to do so. This is an indication that insufficient attention is being given to the security of the system, which may be a function of the scope of her other duties. Moreover, by having the WCP manager also serve as the system's security administrator, responsibility for policy, operations, and security is concentrated in a single person.

In addition to poor access controls, WCP had other practices that increased its information technology security risks.

- As of early May 2013, the system was not set up to require passwords to expire for 30 of 46 users. The WCP manager subsequently set up passwords to expire every 60 days.
- WCP did not utilize the user lockout feature available in iVOS. This feature sets a restriction that locks out a user after a defined number of unsuccessful login attempts. This feature is important because it reduces the risk that an unauthorized user could gain access to a system by using software to try thousands of words or names until they find a password that provided access.

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- The WCP manager stated that she periodically approves workers to work from home, which includes accessing iVOS via their personal computers. The State does not have a specific system security policy that addresses ad hoc telework situations such as that described by the WCP manager.³¹ However, the State's Information Security Officer stated that ad hoc telework situations in which non-state government computers are being used pose a high system security risk because the employee's home system environment may not be secure. The Information Security Officer plans on developing a statewide system security policy to cover this situation.

WCP's current contract for the use of iVOS is scheduled to end December 31, 2013 and it is in the process of procuring a new claims management system. Although the current system is scheduled to be replaced shortly, it is imperative that WCP address the excess access levels that have been granted, particularly to contractor staff, in order to reduce the risk of fraud and abuse. In addition, the implementation of a new system provides an opportunity to start fresh and review the business roles, access levels, and system security required to process workers' compensation payments and consider whether they can be changed to provide a more secure environment.

Conclusions

Since the State is self-insured for workers' compensation, fewer workplace injuries would translate into both direct and indirect savings. The number of workers' compensation claims and the estimated ultimate losses associated with these claims has remained relatively steady over the past five years with slight decreases more recently. Nevertheless, a more robust and consistently implemented safety evaluation process would benefit both the State and its employees. From the state's perspective, fewer incidents should produce savings by reducing direct payments for workers' compensation claims and indirect costs, such as lost productivity. Fewer incidents would also mean that state employees are not suffering the physical, financial, and emotional hardship associated with workplace injuries.

³¹ The HR Telework policy specifically does not cover ad hoc, non-recurring, or occasional telecommuting. However, HR policy requires that employees responsible for collection, use, maintenance, dissemination, and/or disposal of confidential employee information (which includes workers' compensation information) take all necessary precautions to ensure that proper administrative, technical, and physical safeguards are established and followed.

Neither WCP nor departments with high claim amounts have consistently implemented processes to ensure that causes of specific incidents are identified and corrected so that they do not recur. Moreover, WCP had only two safety coordinator staff and the departments had limited monetary incentives to address identified weaknesses. Unless the process weaknesses, staffing, and incentives structure are addressed, there is no reason to think that the State will see substantially fewer injuries in the future.

During the course of this audit we also found significant control weaknesses related to the claims management system used by WCP. It is critical that these weaknesses be fixed expeditiously in the current system as well as prevented from recurring in the planned replacement because they make it easier for errors to be entered into the system and increase the risk of fraud or abuse.

Recommendations

Safety Recommendations

We recommend that the Secretary of Administration direct the WCP Manager to:

- Revise, finalize, and implement the workplace safety evaluation protocols to provide explicit criteria as to what type of review should be performed, including reviews of claim documentation only and reliance on safety officials in other organizations.
- Establish and monitor the results of written agreements with other departments that are performing safety evaluations that WCP is relying upon in lieu of reviews by its safety coordinators that outline the expectations and responsibilities of each party.
- Perform an analysis of the costs and benefits of employing additional safety coordinators, taking into account whether process changes can improve the effectiveness of the current process and the restrictions imposed by 29 VSA §1408(a)(5).
- Develop a process, in conjunction with departments to whom safety recommendations are directed, to ensure that WCP's safety evaluations are directed to an individual in each department that has the authority to take corrective action, establish responsibility for recommendation follow-up, and implement a recommendation tracking process.

In addition, we recommend that the Secretary of Administration direct the Manager of the Office of Risk Management to consider whether the calculation of workers' compensation premiums could include incentives or penalties based on the implementation of WCP safety recommendations or other elements of an effective safety program, such as enrollment in the Green Mountain Voluntary Protection Program.

Information Technology Control Recommendations

We recommend that the Secretary of Administration direct the WCP Manager to:

- Develop up-to-date workers' compensation policies and procedures, including instructions that define the claims management system data elements and when changes to data in the system are expected to be made.
- Expediently redefine the business and system roles of contractor and WCP personnel to ensure that they do not have authorization in the system to add, change, or delete data in the system that is not necessary for their role and that violates the separation of duties internal control principle. For those business roles in which it is not possible to employ strong separation of duties because of operational considerations, develop and implement mitigating controls, such as reports or additional supervision.
- Develop a vendor approval process in which only a limited number of state employees are allowed to add vendors to iVOS and change the payee name and address for a particular payment.
- Establish a process to confirm that the number and amount of the checks processed by the contractor equal the payments that WCP authorized.
- Establish a process to lock-out users that unsuccessfully attempt to gain access after a series of attempts.
- Suspend telework situations in which home computers are used to access the claims system until such time as WCP can ensure that it complies with the planned telework security policy or, based on consultations with the state's information security officer, it establishes a process to ensure that the system is being accessed from a secure environment.

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- Ensure that security for the planned new system is configured to ensure that system access and authorization levels are commensurate to the business need of the organization and user.
 - Transfer the system security functions currently the responsibility of the WCP manager to another staff member when the new system is implemented.

Management Comments

On July 11, 2013, the Manager of the Office of State Employee Workers' Compensation and Injury Prevention provided a letter commenting on a draft of this report on behalf of the Secretary of Administration (Appendix VI contains a facsimile of the letter). The Secretary of Transportation and the Administrator of the Vermont Veterans' Home also provided letters dated July 8, 2013 on a draft of the report (contained in Appendix VII and Appendix VIII, respectively).

We offered the Departments of Buildings and General Services, Corrections, Mental Health, and Public Safety the opportunity to comment on the draft report. These departments informed us that they had elected not to comment.

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In accordance with 32 VSA §163, we are also providing copies of this report to the commissioner of the Department of Finance and Management and the Department of Libraries. In addition, the report will be made available at no charge on the state auditor's website, <http://auditor.vermont.gov/>.

Appendix I

Scope and Methodology

To address our first objective to perform summaries and trend analyses, we obtained workers' compensation³² files from iVOS, the contractor-operated claims management system used by WCP. These files included all incidents that occurred between July 1, 2007 and June 30, 2012 (FY 2008-2012) as of December 31, 2012. The data elements in the files included the (1) type of incident, (2) date of the incident, (3) organization of the worker, (4) amount paid on the claim as of December 31, 2012, (5) cause, (6) nature of the injury, and (7) body part. We ran tests to confirm that we imported these files into our data analysis software without error.

In order to understand the data in the files, we (1) reviewed the statute that pertains to workers' compensation, (2) reviewed WCP's documents related to workers' compensation claims for state employees, and (3) obtained a walkthrough of the system from the WCP manager and other WCP staff members. We then ran tests for completeness and data anomalies and logical inconsistencies using our data analysis software. We also randomly chose 40 incidents and traced data in the files to supporting electronic documents in iVOS. We obtained additional information and explanations from WCP on exceptions that we found during this testing.

We performed a limited information technology security review of iVOS to determine whether the control environment provided support that the data in the files were reliable. The review entailed reviewing the contractor's service organization control report³³ for the period of May 1, 2012 to October 31, 2012 and assessing whether the user controls contained in this report had been implemented by WCP. To perform this assessment, we (1) discussed the user control environment with the WCP manager and the bill review specialist, (2) reviewed iVOS security and other system documentation, (3) reviewed user access levels in iVOS by reviewing the system administration screens as of early May 2013, and (4) obtained clarifying information from the contractor's support staff. We also reviewed the state's information security policy, discussed certain issues with the state's information security officer, and reviewed criteria from GAO and the National Institute of Standards and Technology.

³² Our audit scope did not include sarcoidosis claims associated with the state office building in Bennington because these claims are not workers' compensation claims. (They are paid from a separate fund.)

³³ This is a report that contains an opinion by an independent auditor and can be used as audit evidence of the suitability of the design and operating effectiveness of a service organization's controls.

Appendix I

Scope and Methodology

Our review of the data in the files coupled with information system security weaknesses led us to limit the conclusions that we drew from the WCP data. Namely, we concluded that data pertaining to the number, type, paid amount, and organization of the worker were sufficiently reliable for purposes of our objective, but that data describing the incident (e.g., cause, body part) were not.

To fulfill our second objective, we first obtained copies of the WCP draft safety evaluation protocols. The WCP manager provided us with five drafts of the protocols, stating that each reflected the practice of WCP as of the date of the document. We then used our data analysis software as part of conducting an attribute sample to determine the rate at which safety evaluations were being performed on incidents dated on or after February 12, 2010³⁴ until June 30, 2012. The population of incidents was 2,279. We chose a tolerable deviation rate of 3 percent and a confidence level of 98 percent, which resulted in a sample size of 124. We used the data analysis software to randomly select the 124 incidents.

We reviewed the entries and documents in iVOS associated with each of the 124 incidents to determine whether and what types of safety evaluations were performed. Specifically, we looked for narrative entries by the safety coordinator, copies of evaluation reports, and copies of other correspondence. We requested information and explanations from the safety coordinators on anomalies.

We entered the results into our data analysis software to determine the sample and population deviation rates. The software calculated a sample deviation rate of 23.39 percent and a population deviation rate between 15.36 percent and 33.13 percent.

Also as part of our second objective, we obtained information on other injury prevention activities undertaken by WCP. We requested and received summary-level data from the WCP manager and the safety coordinators related to ergonomic assessments and outreach activities. We also reviewed the memorandums of understanding between WCP and the state's training organization, The Summit, to provide safety and health training.

To gain context for our analyses, we interviewed Department of Labor workers' compensation and VOSHA officials. We also obtained background information on the role of the state's Safety and Health Maintenance

³⁴ This date was used because it was the date of the first draft protocol that explicitly required the safety coordinators to document their activities in iVOS.

Appendix I

Scope and Methodology

Committee. In addition, we reviewed guidance from the Department of Labor on developing an effective safety and health program.

To perform our third objective, we determined the organizations that had the highest amount of claims between FY 2008-2012 (Agency of Transportation, Department of Buildings and General Services, Department of Corrections, Department of Public Safety, Vermont Veterans' Home, and Vermont State Hospital). We asked WCP to identify safety evaluation reports that had been sent to each of these entities. We judgmentally³⁵ chose 22 of these reports, two preventative ergonomic reports, and one facility audit for a total of 25 reports—five for each entity except for the Vermont State Hospital. Upon review of the six State Hospital reports, we decided to remove these reports from consideration because most related to the now defunct State Hospital facility in Waterbury.

We contacted each of the departments and provided them a copy of the reports and other material we obtained from WCP. We asked each department to provide a description and date of any corrective action taken in response to the recommendation. In addition, we verified at least one corrective action for each report to test the validity of the responses. Based on the information received from the departments we characterized each recommendation in the following manner:

- Fully implemented—the organization adopted the recommendation substantially or in its entirety.
- Partially implemented—part of the recommendation was implemented, but the intent of the recommendation has not been fully satisfied.
- Not implemented—no part of the recommendation was implemented. Included in this category are those recommendations in which the departments did not know whether the recommendation had been implemented or did not provide evidence of a corrective action.

Our audit work was performed between January and June 2013 primarily at WCP headquarters in Montpelier. We conducted this performance audit in accordance with generally accepted government auditing standards, which require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based

³⁵ We chose a mix of reports—different types of safety issues and recommendations (e.g., training, procedures, purchases), dates that crossed the full scope of our audit period, and varied organizational divisions or geographical locations.

Appendix I

Scope and Methodology

on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

Appendix II

Abbreviations

FY	fiscal year
GAO	Government Accountability Office
GMVVP	Green Mountain Voluntary Protection Program
HR	Human Resources
NOC	Not Otherwise Classified
OSHA	Occupational Safety and Health Administration
VOSHA	Vermont Occupational Safety and Health Administration
WCP	Office of State Employee Workers' Compensation and Injury Prevention

Appendix III

Summary of the Cause of the Incidents, FY 2008-2012

We are providing this for informational purposes only.

Cause Group	Cause of Injury	# of Incidents
Strain or Injury By	Continual Noise	2
	Holding or Carrying	48
	Jumping	10
	Lifting	617
	Pushing or Pulling	95
	Reaching	33
	Repetitive Motion	162
	Strain or Injury By, Not Otherwise Classified (NOC)	108
	Twisting	120
	Using Tool or Machinery	15
	Welding or Throwing	1
	Total	1,211
Fall, Slip or Trip Injury	Fall, Slip, Trip, NOC	153
	From Different Level (Elevation)	67
	From Ladder or Scaffolding	5
	From Liquid or Grease Spills	41
	Into Openings	4
	On Ice or Snow	154
	On Same Level	553
	On Stairs	50
	Slipped, Did Not Fall	23
	Total	1,050
Miscellaneous Causes	Absorption, Ingestion or Inhalation, NOC	47
	Cumulative, NOC	38
	Foreign Matter (Body) in Eye(s)	45
	Other Than Physical Cause of Injury	54
	Other-Miscellaneous, NOC	557
	Person in Act of a Crime	28
	Total	769
Struck or Injured By - Include	Animal or Insect	120
	Falling or Flying Object	59
	Fellow Worker	22
	Hand Tool or Machine in Use	19
	Motor Vehicle	60
	Moving Parts of Machine	2
	Object Being Lifted or Handled	40
	Object Handled by Others	6
	Struck or Injured, NOC	436
	Total	764
Striking Against or Stepping On	Moving Parts of Machine	2

Appendix III

Summary of the Cause of the Incidents, FY 2008-2012

Cause Group	Cause of Injury	# of Incidents
	Object Being Lifted or Handled	11
	Sanding, Scraping, Cleaning Operation	1
	Stationary Object	125
	Stepping on Sharp Object	2
	Striking Against or Stepping On, NOC	184
	Total	325
Caught In, Under or Between	Caught In, Under or Between, NOC	131
	Collapsing Materials (Slides of Earth)	1
	Machine or Machinery	12
	Object Handled	24
	Total	168
Rubbed or Abraded By	Repetitive Motion	157
	Rubbed or Abraded, NOC	8
	Total	165
Cut, Puncture, Scrape, Injured	Broken Glass	8
	Cut, Puncture, Scrape, NOC	77
	Hand Tool, Utensil; Not Powered	20
	Object Being Lifted or Handled	24
	Powered Hand Tool, Appliance	3
	Total	132
Burn or Scald-Heat or Cold Exposure	Abnormal Air Pressure	1
	Chemicals	20
	Cold Objects or Substances	2
	Contact with, NOC	27
	Dust, Gases, Fumes, or Vapors	11
	Electrical Current	1
	Fire or Flame	3
	Hot Objects or Substances	11
	Steam or Hot Fluids	6
	Temperature Extremes	4
	Welding Operation	3
	Total	89
	Motor Vehicle	Collision or Sideswipe with Another Vehicle
Collision with a Fixed Object		14
Motor Vehicle, NOC		19
Vehicle Upset		5
Total		82
None Recorded	None Recorded	69
Miscellaneous	Other-Miscellaneous,	1
Grand Total		4,825

Appendix IV

Summary of the Nature of the Injury, FY 2008-2012

We are providing this for informational purposes only.

Nature of Injury	# of Incidents
Strain	1,663
Sprain	771
Contusion	740
Laceration	315
No Physical Injury	228
Inflammation	169
Multiple Physical Injuries Only	159
All Other Specific Injuries, NOC	119
Fracture	109
Puncture	91
Respiratory Disorders	72
Multiple Injuries Including Both Physical & Psychological	51
Burn	48
Foreign Body	32
Mental Stress	30
Infection	28
All Other Cumulative Injuries, NOC	27
Crushing	22
Carpal Tunnel Syndrome	18
Concussion	16
Dermatitis	16
Dislocation	14
Hernia	12
Syncope	9
Hearing Loss or Impairment	7
Poisoning - General (Not OD or Cumulative Injury)	7
Rupture	7
Contagious Disease	6
All Other Occupational Disease Injury, NOC	5
Electric Shock	5
Heat Prostration	5
Vision Loss	5
Asphyxiation	3
Dust Disease, NOC	3
Myocardial Infarction	3
Poisoning - Chemical (Other Than Metals)	3
None recorded	2
Loss of Hearing	2
Freezing	1

Appendix IV

Summary of the Nature of the Injury, FY 2008-2012

Nature of Injury	# of Incidents
Severance	1
Vascular	1
Total	4,825

Appendix V

Summary of Body Parts, FY 2008-2012

We are providing this for informational purposes only.

Body Part	# of Incidents
Lower Back Area (Lumbar Area & Lumbo-Sacral)	574
Multiple Body Parts (Including Body Systems & Body)	504
Knee	483
Shoulder(s)	386
Finger(s)	251
Hand	228
Soft Tissue	224
Ankle	191
Wrist	166
Eye(s)	154
Elbow	136
Upper Arm	124
Lower Leg	121
Body Systems and Multiple Body Systems	111
Foot	107
Chest	103
Thumb	99
Lower Arm	90
Abdomen Including Groin	76
No Physical Injury	72
Multiple Head Injury	66
Upper Back Area (Thoracic Area)	58
Hip	43
Multiple Upper Extremities	41
Insufficient Info to Properly Identify-Unclassified	37
Wrist(s) and Hand(s)	37
Mouth	30
Skull	28
Upper Leg	26
Buttocks	23
Lumbar and/or Sacral Vertebrae (Vertebrae NOC Trunk)	22
Facial Bones	21
Lungs	21
Ears(s)	18
Nose	18
Multiple Neck Injury	17
Toe(s)	17
Multiple Lower Extremities	15
Brain	12

Appendix V

Summary of Body Parts, FY 2008-2012

Body Part	# of Incidents
Heart	12
Multiple Trunk	10
None recorded	9
Internal Organs	9
Artificial Appliance	8
Teeth	6
Disc	5
Pelvis	4
Great Toe	3
Vertebrae	3
Sacrum and Coccyx	2
Body Systems and Multiple Body	1
Larynx	1
Spinal Cord	1
Trachea	1
Total	4,825

Appendix VI

Comments from the Manager, Office of State Employee Workers' Compensation and Injury Prevention



Agency of Administration
State Employee Workers' Compensation
and Injury Prevention
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riskhelp@state.vt.us

July 11, 2013

Douglas R. Hoffer
Vermont State Auditor
132 State St.
Montpelier, VT 05633-5101

Dear State Auditor Hoffer,

Secretary Spaulding requested that my office respond to the draft report of the audit of the State's Workers' Compensation and Workplace Safety Program. We have looked forward to the analysis and recommendations from the State Auditor's Office and are happy to see the results support the Statewide Safety Initiative (SSI) that is already under development. My staff and I appreciate the feedback and we will utilize the information in my pursuit of continuous improvement.

In response to the safety recommendations listed on page 28 and 29 of the report, the SSI that is included in the Agency of Administration's 2012-2015 Strategic Plan dated December 2012 and the Buildings and General Services (BGS) Strategic Plan (see Goal #1 attached or refer to the full strategic plan on the BGS website) addresses all of the items. While the initial dates and timelines established in that plan need to be updated, the work is underway and the detailed plan will be formally presented to the Secretary of Administration later this month to request official approval to move ahead.

We plan to revise, finalize, and implement all current policies and procedures relating to the workplace safety program as well as establish new protocols that incorporate the new SSI process. Safety roles will be established and well-documented to include both the Workers' Compensation and Injury Prevention Office (WCP) and the individual departments. All work under the SSI will be tracked and measured using a reportable database. The fiscal year 2014 annual WC assessment rates allow \$690,000 to be allocated to loss prevention programs and actuarial review. We believe we can establish and implement the SSI without a change in statute for additional funding allocation.



Appendix VI

Comments from the Manager, Office of State Employee Workers' Compensation and Injury Prevention

In response to the information technology control recommendations listed on page 29 and 30 of the report, we will redefine and reconfigure the security in our current claims database, iVOS. My office will also create a security policy that clearly defines the roles of all personnel who have access to the database and document the access restrictions and other control measures. We have changed the existing policy and no longer allow staff to work remotely under any circumstance. We will also exploring other authentication protocol options with Aon, the current database vendor, to restrict remote access.

Additionally, I will use the information provided in the recommendations when planning and configuring security in the new daims database that will replace iVOS next year. At "go-live" in the new system, I will delegate security permissions duties to another staff member.

Again, the Office of State Employee Workers' Compensation and Injury Prevention values the feedback received through this audit process and we look forward to utilizing it to improve our program.

Sincerely,



Lisa DeForge / Manager
Agency of Administration
Office of State Employee Workers' Compensation and Injury Prevention
6 Baldwin St. Montpelier, VT 05633-3801
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WEBSITE: http://bgs.vermont.gov/workers_comp

Cc: Secretary of Administration Jeb Spaulding



Appendix VI

Comments from the Manager, Office of State Employee Workers' Compensation and Injury Prevention

Department Goals for the planning period, related to Statewide Priorities

Goal 1: Minimize loss exposure and improve workplace safety across Government

A. Statewide Priority this goal serves: # 8 – State Government and Employees

B. Goal 1 Performance Measure(s):

Measure 1A: Reduce number of Workers Compensation lost-time hours by 15% per year (FY14-15)

Measure 1B: Reduce the work-related accident frequency rates and severity rates each by 15% per year (FY14-15)

Measure 1C: Reduce the Workers' Compensation premium experience rates by 10% FY15.

C. Goal 1 Strategies:

- Strategy 1.1: Obtain Commitment and Active Participation from Management: Ask management to demonstrate importance of providing a safe and healthy workplace by establishing an executive order by September 30, 2012 that holds all agencies and departments responsible and accountable for compliance with new safety program.
- Strategy 1.2: Develop and Implement a "Statewide Safety Initiative": Develop a written statewide health and safety program that will increase safety awareness and make accident prevention part of standard operating procedures by September 30, 2013.
- Strategy 1.3: Workplace Safety Training: Through training, teach employees to work safely and recognize and eliminate hazards. Work with departments to assess training needs and develop their training plans by September 30, 2013.
- Strategy 1.4: Return to Work Program: Develop a state-wide policy and implement a formal, state-wide return to work program that includes alternate duty options for employees who have been injured on the job by June 30, 2013.



Appendix VI

Comments from the Manager, Office of State Employee Workers' Compensation and Injury Prevention

- Strategy 1.5: Explore a Safety Incentive Program: Develop and submit recommendations for a safety incentive program by June 30, 2013.



Appendix VII

Comments from the Secretary of Transportation



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Office of the Secretary
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Agency of Transportation

July 8, 2013

Mr Douglas R. Hoffer
Vermont State Auditor
132 State Street
Montpelier, VT 05633-5101

Dear Mr Hoffer:

Thank you for the opportunity to review the draft report entitled "Workers' Compensation Program. Workplace Safety Activities Not Consistently Performed and Recommendations Not Always Implemented." The Agency of Transportation (VTrans) believes this study to be timely and necessary. We concur with the report findings and believe that their resolution will benefit workplace safety throughout state operations.

VTrans appreciates the constructive recommendations advanced in the report. The Agency is committed to improving workplace safety and is highly supportive of explicit monetary incentives deriving from elements of an effective safety program. The Secretary of Administration and WCP will find VTrans a willing partner in these efforts. We look forward to working with these organizations to clarify the protocols and responsibilities of this evolving endeavor.

Sincerely,

A handwritten signature in blue ink, appearing to read "Brian R. Searles".

Brian R. Searles
Secretary of Transportation



Appendix VIII

Comments from the Administrator of the Vermont Veterans' Home



State of Vermont
Vermont Veterans' Home
325 North Street
Bennington, VT 05201

[phone] 802-442-6353
[fax] 802-447-2757

July 8, 2013

Mr. Douglas R. Hoffer
Vermont State Auditor
132 State Street
Montpelier, VT 05633-5101

Dear Mr. Hoffer:

I have reviewed the draft report entitled *Worker's Compensation Program: Workplace Safety Activities non Consistently Performed and Recommendations Not Always Implemented*, including objectives 1 and 3.

With regards to objective 1 The Vermont Veterans' Home (VH) is a skilled nursing facility and this type of industry has a high rate of work related injuries related to the physical demands placed on our employees. We encourage our employees to report any and all accident/incidents that could result in a work place injury even if there is no evidence of the injury at the time of the accident/incident. Employees not comfortable using the online system will seek out the assistance of their supervisor or Human Resources to ensure the report is made timely.

VH is working to improve our implementation of recommendations made by WCP's safety coordinators. We appreciate the improved communication from WCP this ensures that we are aware of all recommendations. The facility will be implementing an audit tool to ensure recommendations are implemented. All employee accident/incident reports are now being reviewed at our every other month safety meeting to look for trends, identify education needs, and to implement changes in facility policy or practice to reduce the risk of the accident/incident from happening again. We are working closely with our Rehabilitation Company as well as the vendors of our various patient lifts to provide ongoing education on safe patient handling techniques and body mechanics.

Thank you for providing me with the opportunity to review this report and to provide official management comments.

Sincerely,

Melissa A. Jackson, BSW, LNHA
Administrator



www.vvh.state.vt.us