

Memorandum



CITY OF DALLAS
Audit # A07-002

DATE: December 1, 2006

TO: Honorable Mayor and Members of the City Council

SUBJECT: Worker's Compensation Program – Follow-up Audit Results

We performed follow-up audit work on the Workers Compensation Program Audit issued in December 2004. The purpose of the follow-up audit work was to determine whether management had implemented the 15 recommendations in our original audit report. Our follow-up audit work, conducted in accordance with government auditing standards, showed that management implemented seven recommendations and only partly implemented six recommendations because of either budget constraints or pending revisions to Administrative Directives.

Management did not implement two recommendations. The recommendation to change the Return-To-Work policy was not implemented because management did not agree with the recommendation in the original report. After reviewing the Supervisor Injury Investigative Report, management decided that changes to the form were not necessary.

The following summarizes the original recommendations, management's response and our follow-up audit work.

City safety programs need improvement.

We recommended that the Director of Human Resources:

- A.** Establish and implement written procedures providing direction and expectations for safety programs, to include directives to ensure the participation and commitment of all departmental directors. **(Partially Implemented)**

The Safety and Loss Prevention program has been consolidated into Human Resources. The Human Resources Partnership Agreement with departments was revised to show the services that safety officers will

provide to each department. The Administrative Directives related to the safety program are currently being reviewed for update in FY 2007.

- B.** Establish procedures to increase citywide communications regarding safe practices. **(Partially Implemented)**

The Human Resources Department has a Safety Procedures Manual in progress which will be administered citywide, and they have re-established the citywide safety committee. The safety committee began meeting in June 2005 and meets monthly. The department representatives are informed of the most often causes of injury and ways to avoid such injuries. Training programs are also generated for various departments and occupations based on the third-party administrator reports.

- C.** Encourage the City Manager's Office to establish accountability measures that assess department directors' commitment to safety. **(Implemented)**

The Human Resources Department has established a Partnership Agreement with the department directors and a Scorecard to hold department directors' accountable for safety measures. The Scorecard evaluates how safe the departments are based on training development, inspection recommendations, reduction in injury claims, and recovery notices. The Scorecard will be included in the performance plan for the Directors of each department starting October 1, 2006. The departments' Scorecard grade may influence merit and performance increases.

- D.** Provide input on the appropriate amount that should be budgeted for departmental safety initiatives and encourage the City Manager to provide full funding. **(Partially Implemented)**

The Human Resources Department safety initiatives have been identified and will be implemented in phases due to budget constraints. The safety initiatives that have been completed are:

- 1) Consolidation of safety staff under Human Resources;*
- 2) Safety objectives included in department director balanced scorecard and performance review;*
- 3) Annual review of department safety programs;*
- 4) Re-establish the City Safety Committee; and*
- 5) Benchmark injuries, costs, rates, and safety activities.*

The Human Resources Department has safety initiatives pending implementation:

- 1) Citywide safety awards program;*
- 2) Inclusion of safety duty for each job;*
- 3) Review of departmental safety initiatives and recommendations regarding their efficiency;*
- 4) Consolidation of safety-related directives and procedures;*
- 5) Update accident investigation procedures; and*
- 6) Establish a risk control website.*

- E.** Review the resources offered by professional organizations related to workplace safety and encourage participation by department safety officers, if benefits of memberships are determined to be helpful. **(Partially Implemented)**

Due to budget constraints, participation in professional organizations has not been encouraged. However, the Human Resources Department has met with several outside large agencies/companies in regards to their safety policies and procedures. The Human Resources Department has taken other companies' safety measures and implemented best practices on workplace safety.

- F.** Reinstigate rewards for safe practices, to be administered and budgeted by individual departments, or delete Administrative Directive 3-32 if there is to be no safety awards program. **(Partially Implemented)**

The Human Resources Department is developing a citywide safety awards program and will revise Administrative Directive 3-32 in FY 2007 to reinstitute the program.

The City's program to expedite employee Return-to-Work (RTW) needs improvement.

We recommended that the Director of Human Resources:

- A.** Utilize Texas Worker's Compensation Commission (TWCC) RTW training and revise the City's P.R.I.D.E. (Promoting Return Increasing Department Efficiency) program to reduce the lost-time criteria for eligibility. Make other changes to the P.R.I.D.E. program as necessary to expedite RTW. **(Not Implemented)**

The Human Resources Department did not agree with the recommendation to revise the P.R.I.D.E. program or change the RTW policy. The RTW program works in conjunction with the City's Limited Duty Program. Medical providers are notified of the Limited Duty Program at the time of treatment of injured employees and reminded during the treatment process to encourage early return. The lost time criterion for the RTW program is set at 60 consecutive days so that the medical providers can make a more definitive diagnosis and prognosis. An Exclusive Provider network, which consists of a specific small group of medical providers, has been implemented to encourage early RTW. Letters are sent to the doctors in regards to the injured employees' ability to RTW. A RTW Center has been created for employees transitioning back to their regular job.

- B. Communicate the revised P.R.I.D.E. program throughout the City. (Implemented)**

We found that employees are encouraged to return-to-work through network physicians and other incentives such as the City Limited Duty program. The Limited Duty portion of the RTW program is communicated through the Administrative Directive 3-55, as well as letters to doctors and eligible employees.

Employees on lost-time leave do not receive uniform communication from the City.

We recommended that the Director of Human Resources establish and implement written procedures detailing:

- A. The frequency, by whom, and how contact with an injured employee is to occur. (Implemented)**

The Human Resources Department has uniform letters for the Worker's Compensation Coordinators to issue to the injured employees. The letters inform the injured employee of the "lost-time" status, rules for termination, return to work release information, and information from doctors including restrictions, information on scheduled doctor appointments, etc.

- B. Employee's responsibilities while on injury leave. (Implemented)**

The Human Resources Department has revised the Administrative Directive to provide procedures on employees' responsibilities while on

leave. The Administrative Directive 3-53 defines the procedures for the injured employee to receive wage supplementation.

The City's ability to extract and utilize Worker's Compensation (WC) claims data is limited.

We recommended that the Director of Human Resources:

- A.** Take steps to incorporate procedures to extract WC claim information in a format that allows for data analyses. Ensure that information encompasses categories consistent with the TWCC. **(Implemented)**

The Human Resources Department has a new third-party administrator (TPA) contract with TriStar Risk Management effective December 1, 2005. Expenditures have decreased from \$7.5M to \$5.4M or 29% compared to the same period last year. Data can be downloaded from the TPA claims system for further analysis. A report generated by the TPA can be reviewed for how much to expect to pay on a claim, the type of claim (i.e., medical only or loss time claim), what occupation the injury occurred in, and the department the injury occurred in. The report allows the Safety Manager to examine the areas of high priority to train personnel. The following table shows that Worker's Compensation actual payments have decreased:

Workers' Compensation Actual Payments FY 2004 thru FY 2005			
Object	Description	FY 04	FY 05
1314	Claims Payments	\$ 18,175,761	\$ 14,589,894
3070	Claims Administration (TPA)	\$ 2,181,234	\$ 2,314,900
3040	Med & Lab	\$ 0	\$ 282,154
3099	Misc. Special Services	\$ 824	\$ 0
3320	Advertising (RFP)	\$ 0	\$ 168
3689	Risk Management Administration	\$ 557,191	\$ 601,596
	Totals	\$ 20,915,010	\$ 17,788,712

- B.** Establish and maintain contact with comparable Texas cities and exchange WC claim information with them. Compile this information to aid in benchmarking and in identifying potential areas of concern. **(Implemented)**

The Human Resources Department has exchanged information with several Texas cities such as Houston, San Antonio, and Austin regarding their Worker's Compensation costs and return-to-work programs. This

information will be used for benchmarking and identifying areas of concern.

- C. Structure preventative programs in identified high-risk areas and departments. **(Implemented)**

The Human Resources Department has instituted training programs for high-risk areas and departments. The Risk Management Department held an Environmental, Health and Safety conference on April 4, 2006 that included 143 employees from 12 departments.

Administrative Directives and Personnel Rules are outdated and ineffective.

We recommended that the Director of Human Resources:

- A. Establish procedures to ensure that their Administrative Directives are frequently updated to reflect City Council approved policies. **(Partially Implemented)**

We found that the Human Resource Department is in the process of updating and/or deleting the Administrative Directives and personnel rules relating to WC issues and safety for FY 07.

- B. Revise the Supervisor's Injury Investigative Report to allow supervisors an opportunity for feedback, comments, and recommendations. **(Not Implemented)**

The Human Resources Department and Worker's Compensation team reviewed, but did not change, the Supervisor's Injury Investigative Report during their review of the Administrative Directives.

We appreciate management's cooperation in this follow-up. If you have any questions, please contact me at (214) 670-3223 or your staff may contact Gary Lewis, Audit Manager, at (214) 670-5347.

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City Auditor

C: Mary K. Suhm, City Manager
David Etheridge, Director, Human Resources Department