

# OFFICE OF THE CITY AUDITOR

## PERFORMANCE AUDIT OF THE WORKERS' COMPENSATION PROGRAM



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**December 3, 2004**



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Honorable Mayor and Members of the City Council  
City of Dallas

We have conducted a performance audit of the Workers' Compensation program administration by the Human Resources department (HR). The audit period was October 1, 2001, through May 2004. This audit was conducted under the authority of Chapter IX, Section 2 of the Dallas City Charter and in accordance with the Annual Audit Plan approved by the City Council.

We have concluded that the City of Dallas and its third party administrator, Ward North America (WNA), comply with regulatory requirements. WNA is meeting the terms of its contract with the City of Dallas. HR has opportunities to enhance safety and return-to-work programs. In addition, opportunities exist to improve communication with injured workers, expand the use of relevant information, and update management directives and personnel rules. These opportunities for improvements are presented in this report.

We appreciate the cooperation shown by staff during our audit.

Paul T. Garner

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Assistant City Auditor

c: Mary K. Suhm, Interim City Manager

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## PERFORMANCE AUDIT OF WORKERS' COMPENSATION PROGRAM

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## EXECUTIVE SUMMARY

We have conducted a performance audit of the workers' compensation (WC) program administration by the Human Resources department (HR) for the period October 1, 2001 through May 2004. As a result of our inquiries, examinations, and tests, we have concluded that the City and its third party administrator, Ward North America (WNA), comply with regulatory requirements. WNA is in compliance with its contract with the City. Opportunities exist to enhance HR's administration of the Workers' Compensation program. We summarized our opportunities for improvement below.

- The City's safety programs need improvement. HR needs to provide guidelines to aid in developing training or preventive programs. Innovative safety programs are developed independently by individual departments. There is a lack of communication between departments, thus inhibiting uniformity in safety and prevention programs. HR no longer funds the safety awards programs, and the rewards for safe behavior are almost non-existent.
- The City's program to expedite employee return-to-work needs improvement. HR has a program designed to assist employee reentry into the workforce after a long-term illness or injury. HR initiates this program after the employee accumulates 60 consecutive days of lost time. This criterion may impede a more rapid return to work.
- Employees on lost-time leave do not receive uniform communication from the City. There is confusion as to whether communication with employees on lost-time leave is permissible by departments other than HR. Employees do not receive clear communication of their responsibilities while on lost-time leave.
- The City has read-only access to the WC information maintained by WNA. Without being able to use and analyze the data, the City may be limited in identifying areas of risk and designing preventive programs to address these areas.
- We identified outdated and ineffective Administrative Directives and personnel rules related to workers' compensation. Outdated procedures provide limited direction and may cause confusion.

## INTRODUCTION

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### Authorization

We have conducted a performance audit of the Workers' Compensation (WC) program administration by the Human Resources department (HR). We conducted this audit under the authority of Chapter IX, Section 2 of the Dallas City Charter and in accordance with the Annual Audit Plan approved by the City Council.

### Scope and Methodology

We performed our audit in accordance with generally accepted government auditing standards and included tests of the accounting records and other audit procedures that we considered necessary in the circumstances. Our audit covered the period October 1, 2001, through May 2004, although we examined certain events and transactions occurring before and after that period.

The objectives of our audit were to determine whether the WC program:

- Adhered to federal, state, and City laws, regulations and directives.
- Applied proactive programs:
  - Safety and accident prevention programs are adequately utilized.
- Applied return-to-work methods.
- Monitored the contract terms with the Third Party Administrator (TPA):
  - Internal audits are conducted according to contract terms.
  - Adequate contact is maintained with injured employees.
  - Adequate City representation occurs at WC administrative hearings.
  - Overpayment reimbursements are made to the City within 10 working days.
- Monitored the employee use of workers' compensation:
  - Investigation of possible abuse.
  - Implementation of recommendations issued by consultants.

To develop an understanding of relevant control structure policies and procedures, we reviewed the financial records, applicable laws, ordinances, and contracts. We also contacted other Texas cities for WC cost comparisons. Additionally, we interviewed HR management and staff concerning internal controls. We examined department reports, compared data, observed operating procedures, and analyzed historic results. We conducted statistical sampling of claims to determine vendor compliance with contract terms and to ensure payment accuracy.

## INTRODUCTION

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### Overall Conclusion

As a result of our inquiries and analysis, we conclude that:

- The City and its TPA, Ward North America (WNA), comply with regulatory requirements.
- Application of proactive programs is limited, safety prevention programs receive little guidance and in some instances lack support, and the safety incentive program is almost non-existent.
- The City's program to expedite employee return-to-work needs improvement.
- WNA is in compliance with the contract terms:
  - Although structured internal audits are not conducted, WNA reviews and closely monitors claims throughout the WC process.
  - Periodic contact is maintained with injured workers by WNA and the City's WC representatives; however, although there are no clearly defined rules for individual departments to follow in contacting injured employees.
  - WNA provides adequate representation at WC administrative hearings.
  - We did not observe any overpayments.
- The City's representatives and WNA adequately monitor employee use of WC.
- Recommendations from past consulting efforts have not been implemented.
- The City's ability to extract and utilize WC claims data is limited.
- Applicable Administrative Directives and personnel rules are outdated.
- The consolidation of all WC representatives into the HR department has not been achieved.
- Pre-hire screening is not consistently utilized.

Our concerns are discussed in the Opportunities for Improvements section.

### Background

The administration of WC compliance is under the authority of the Texas Worker's Compensation Commission (TWCC), which was established April 1, 1990, pursuant to the Texas Workers' Compensation Act (ACT) as part of a broad effort to reform the state's workers' compensation system. The Act ensures that injured workers are compensated fairly and appropriately for workplace injuries.

WC is a contract between the employer and the employee. If the employer provides coverage, the employee will receive medical and income replacement benefits as required by the Act. Providing this coverage protects the employer from lawsuits, except in cases of gross negligence. If the employer does not provide WC coverage, the injured employee can sue the employer.

## INTRODUCTION

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Per City Code, administering the City's risk management program, including WC, is the responsibility of HR. The City has met the TWCC requirements to be self-insured and has contracted with WNA for WC administration. WC administration includes processing WC claims, distributing WC payments, and fulfilling TWCC requirements. The City's contract with WNA is entering its fifth year (three-year contract with two one-year renewals) with a fourth year cost of \$2,885,195.

Self-insured employers have the same rights and responsibilities as employers who buy from private insurance companies.

Employees are eligible for WC benefits if their:

- Injury occurred at work or the disease or illness is job related.
- Employer has WC insurance or is certified by the TWCC to be self-insured.

WC will also replace some of the employee's lost wages if the injury or illness caused the employee to lose some or all income for more than seven days. WC provides four types of benefits:

- Medical - care necessary to treat work-related injury or illness. The insurance company pays the health care provider directly.
- Income - replaces up to 70% of the income lost because of a work-related injury or illness. Employees are eligible for income benefits on the eighth day that a work-related injury or illness causes them to lose some of their pay.
- Death – compensation to eligible family members of workers killed on the job.
- Burial – reimburses at a prescribed amount the funeral expenses of workers killed on the job.

TWCC has established formal procedures for resolving WC claim disputes. TWCC resolves most of the disputes using a process that applies these procedures. Dispute resolution proceedings are used for disputes that have not been resolved using the standard resolution process. These proceedings are:

- The Benefit Review Conference (BRC)
- Arbitration
- The Contested Case Hearing (CCH)
- The Appeals Panel (AP)
- Judicial Review (JR)

Only disputed claims that have gone through the standard resolution process and have an AP-issued decision may be heard in a court of law. The court can only review the disputed issues that the AP ruled on.

## INTRODUCTION

TWCC is regulated by numerous rules and laws. The TWCC stresses training, prevention, and safety programs, and provides materials on those subjects.

The City's Frequency Analysis and Loss Nature report (lost time, exceeding seven days) for the period from 10/1/01 through 9/30/03 (two years) totaled 5,003 claims, 114,461 lost days, and \$16,850,584 claims paid (See Exhibit A). This report details only costs associated with initial injuries that involve lost time in excess of seven days. It does not include costs for injuries that result in time lost less than eight days, "medical-only" claims, and costs associated with follow-up treatment. Strains and sprains are the top categories for total number of claims, claim amounts, and lost days. (See Exhibit B).

The City uses Fund 0189 to record WC activity. The following table compares fiscal years 2002 and 2003:

<b>Workers' Compensation Actual FY 2002 – FY 2003</b>			
<b>Object</b>	<b>Description</b>	<b>FY 2002</b>	<b>FY 2003</b>
1314	Claims Payments	\$16,658,741	\$16,289,501
3070	Claims Administration (TPA)	\$2,322,694	\$2,371,642
3040	Medication & Laboratory	\$231,806	\$308,120
3099	Misc. Special Services	\$371	\$1,839
3689	Risk Management Administration	\$671,035	\$373,158
	<b>Totals</b>	<b>\$19,884,647</b>	<b>\$19,344,260</b>

Note: Claims payments include payments for lost time, prior injuries that still require medical attention, and "medical only" costs.

HR uses the following formula to assess the cost of WC to City departments:

- Size premium = (department FTEs/total City FTEs x target WC compensation premium) x .20.
- Exposure premium = (department average incurred claims for prior 5 years/City total incurred claims for prior 5 years x target WC premium) x .80.
- WC rate = size premium + exposure premium.

The charges for the premiums are assessed to the department by the Risk Management Division of HR and are extracted on a onetime annual basis. Departments do not have control over this budgetary function.

The City provides up to 52 weeks of wage supplementation for injured employees who qualify. Wage supplementation is an amount that is approximately equal to the difference between any workers' compensation payments and the employee's regular pay.

The wage supplementation eligibility rules limit the number of treating physicians. To be eligible for wage supplementation payments, an injured employee must



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choose a treating physician who is a member of the City's workers' compensation preferred provider network. Although an injured employee has the right to treatment by a physician of the employee's choice under the Act, the City is not obligated to provide wage supplementation benefits to injured employees who are treated outside of the preferred provider network.

In addition to the above restriction, the City ordinance provides for denial and termination of wage supplementation for identified restriction violations, including if the employee:

- Fails to keep the employee's immediate supervisor and workers' compensation representative informed every two weeks and, in accordance with departmental procedures, of medical examinations and treatments and related dates, future medical treatments, status regarding return to limited and full-duty, and any changes in the employee's ability to work.

On August 11, 2004 the City Attorney hired an employee benefit service to evaluate the City's occupational injury programs, including workers' compensation.

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## OPPORTUNITIES FOR IMPROVEMENT

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We identified certain policies, procedures, and practices that can be improved. Our audit was not designed or intended to be a detailed study of every relevant system, procedure, and transaction. Accordingly, the opportunities for improvement presented in this report may not be comprehensive of the areas where improvements may be needed.

### 1. City safety programs need improvement.

State regulations require self-insured entities to demonstrate the existence of an effective safety program. Written goals, objectives, and procedures to address the expectations of the City's safety programs are limited. Budget cuts reduced the funds allocated to safety training. In addition, HR retained a consulting firm, but has not addressed the areas for improvement in that consultant's 2001 report on Improving Safety and Loss Control Efficiency. Due to budget cuts, safety officers have not attended safety seminars to update their skills and have not renewed memberships in professional organizations.

HR has three safety specialists that have other responsibilities in addition to safety. These specialists do not conduct or monitor departmental training, but serve as department advisors. Individual departments are required to identify their own training needs, provide their own training, as well as institute preventive programs. HR does not provide guidelines to aid in developing training or preventive programs.

Administrative Directive (AD) 3-34, Accident, Illness and Injury Prevention Program, states that, department directors are to provide leadership, interest, and budgetary support for the implementation and maintenance of programs related to accident prevention and safety.

Departmental safety officers' responsibilities include:

- enforcement of safety rules and regulations,
- prevention of unsafe work environments,
- limited monitoring of injured employees, and
- coordination of all WC matters through the City Safety Manager or staff.

Departmental safety officers do not always receive information about injured employees within their department. HR representatives perform the majority of monitoring of injured employees.

AD 3-32, Employee Safety Awards Program, addresses the employee safety award program. This AD provides for recognition and awards for accident-free performance during prescribed periods of time. HR is responsible for the ordering and purchasing of the awards. HR does not budget for this function, and department budgets have been reduced so that funds for safety awards have almost been eliminated.

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## OPPORTUNITIES FOR IMPROVEMENT

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In the past, HR coordinated meetings with departmental safety officers to exchange information and ideas. The meetings have stopped and communication among the safety officers has declined. The Park and Recreation department has begun a pilot safety program in a high-risk division, which, if successful, could aid other departments. However, communication about this program is limited to just within the department. The development of innovative safety programs is left to the discretion of individual departments. Safety training is being conducted, but there is a lack of uniformity and communication among departments.

Most of the safety officers make use of the HR library of safety videos. However, several were not aware of other free material (from TWCC, etc.). Some departments use outside speakers, at no cost to the City, to conduct safety training. Sharing of this safety information is not always accomplished. The DWU safety officer does not have the authority to approve training among different DWU divisions. Coordination of training could eliminate training duplication and reduce expenses. Safety officers need to have the full support of their directors and the authority to take immediate action when safety risks are observed.

Proactive measures aimed at preventing injuries could result in substantial WC cost savings. Improved communication among departments will provide useful information concerning free training material, innovative techniques, and efforts to address WC claim costs. Providing incentives for safe behavior and encouraging employees to actively participate in safety programs may reduce injury cost and employee lost time.

**We recommend** 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.
- B. Establish procedures to increase Citywide communications regarding safe practices.
- C. Encourage the City Manager's Office to establish accountability measures that assess department directors' commitment to safety.
- D. Provide input on the appropriate amount that should be budgeted for departmental safety initiatives and encourage the City Manager to provide full funding.

## **OPPORTUNITIES FOR IMPROVEMENT**

- 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.
- F. Reinstitute rewards for safe practices, to be administered and budgeted by individual departments, or delete AD 3-32 if there is to be no safety awards program.

### **Management's Response:**

- A. Management concurs. Written procedures already exist in various Administrative Directives (ADs). The Human Resources Safety Team (comprised of key operating departments) will review current ADs and consultant's report (Improving Safety and Loss Control Efficiency) and revise directives accordingly.
- B. Management concurs. Revisions to ADs will include procedures to increase citywide communications regarding safe practices.
- C. Management concurs. Current monthly departmental reports will be shared with Department Directors. In addition, quarterly citywide management reports will be developed and shared with the City Manager's Office. Regarding the statement on page 8 of the audit regarding Dallas Water Utilities, management's position is that DWU's safety record speaks for itself. The record is clear that their safety program has functioned well and the department's safety officer has the full support of the Director. That support was clarified in a memo to department managers dated November 3, 2003. An additional communication is being prepared to remind DWU management staff of the importance of workplace safety and the responsibilities and authority of the department Safety Officer.
- D. Management concurs. Human Resources (HR) will review the current material to update and improve resources, as well as improve communication with department safety officers.
- E. Management concurs.
- F. Management concurs. The AD will be reviewed for appropriateness.

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

The HR program, titled *P.R.I.D.E.* (Promoting Return Increasing Department Efficiency), is designed to assist employees in returning to work after a long-term

## **OPPORTUNITIES FOR IMPROVEMENT**

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illness or injury. If an employee cannot return to their regular jobs, Civil Service and HR are to work with departments and employees to match their qualifications with vacant positions. To be eligible, employees must meet the following criteria:

- Accumulated 60 consecutive days of lost time.
- Have potential permanent restrictions.
- Be able to work in some capacity within 52 weeks.
- Have longer than six month before service retirement.
- Have not violated any drug policy.
- Cooperate and provide medical information.

The City's P.R.I.D.E. program is implemented after a long period of absence. HR does not communicate the City's restricted RTW (P.R.I.D.E.) procedures to new hires, because HR believes it may be counterproductive and encourage employees to seek time off through WC claims.

An early RTW program/policy provides employers with the opportunity to significantly reduce workers' compensation costs, to improve productivity and safety, and to improve employee morale. According to TWCC:

Studies show that injured workers who are out of work six months have only a 25% chance of returning to work at all. The longer injured workers are off work, the less likely it is that they will ever return-to-work. WC costs grow as income replacement benefits continue to be paid during the injured workers absence. Injured workers who are returned to productive work as soon as possible following an injury require less medical care and experience less disability. They heal faster and better and experience less disruption to their personal lives. They are better able to maintain financial stability than injured workers who remain off work longer than necessary. Work becomes part of their treatment and helps recovery.

The TWCC provides seminars on developing a RTW policy. The only costs involved are travel expenses. TWCC recommends that supervisory employees involved in personnel decisions attend these seminars. Failure to have an established and consistently applied early return-to-work program diminishes the opportunity to reduce workers' compensation costs and prolongs employee absences.

TWCC encourages entities to write, adopt, and post a policy and procedures for an early return-to-work program. The policy and procedures should be brief and broadly written so that they do not require frequent revisions. Posting them in an easily accessible place serves as a constant reminder and encouragement for an early return-to-work following a work-related illness or injury. TWCC suggests

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that the RTW program should be part of the new-hire orientations and should be periodically mentioned in newsletters, etc.

**We recommend** that the Director of Human Resources:

- A. Utilize TWCC RTW training and revise the City's P.R.I.D.E. program to reduce the lost-time criteria for eligibility. Make other changes to the P.R.I.D.E. program as necessary to expedite return-to-work.
- B. Communicate the revised P.R.I.D.E. program throughout the City.

**Management's Response:**

- A. Management does not recommend a revision in the P.R.I.D.E. program. Management does agree there is always a benefit gained from utilizing training from the State agency in charge of workers' compensation. Every effort will be made to do so. The Return To Work program works well in conjunction with the City's Limited Duty Program. Medical providers are notified of the City's Limited Duty Program at the time of treatment and reminded during the treatment process to encourage early return. The lost time criterion for the P.R.I.D.E. program is set at 60 consecutive days so that the medical providers can make a more definitive diagnosis and prognosis. Management does not feel it is in the best interest of the City to lower that threshold.
- B. Management concurs.

**Auditor's Comment:**

RTW programs should be designed to encourage an employee's early return to work when the employee has been cleared by the medical provider. We believe the RTW program should be initiated based upon the medical provider's clearance date, not on a minimum of 60 days.

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

The requirements for maintaining contact with employees on lost-time leave are not clearly stated. There is confusion as to whether communication with employees on lost time is permissible and/or required. Wage supplementation employees are required by Ordinance 25389 to keep their immediate supervisor and workers' compensation representative informed every two weeks of medical

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## OPPORTUNITIES FOR IMPROVEMENT

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examinations, treatments, and their related dates, and any changes in the employee's ability to work.

AD 3-53, *Salary Continuation Plan*, section 5.9.12 requires employees to keep their immediate supervisor and workers' compensation representative informed on a weekly basis. AD 3-31, *On-Job Injuries*, requires supervisors to monitor the progress of the employee by periodic contacts and ensure that the employee keeps all doctor appointments.

Some City personnel advised us that the HR's WC representatives instructed them not to contact employees on lost-time leave, as this may be viewed as harassment. This has resulted in no contact by some departments and sporadic contact by others. HR did not provide guidance for the implementation of Ordinance 25389.

The Sanitation Services department's procedures include issuing a memorandum, which lists the employee's responsibilities while on injury leave (e.g., prohibition of working at another job, keeping medical appointments, etc.). Employees are required to read and sign this memorandum, acknowledging their understanding of their responsibilities. One section of the memorandum directs the employee to contact a certain supervisor by telephone at a designated time.

TWCC lists continuous communication with injured workers as one of the elements of a successful return-to-work program. The recommended communication should contain an expression of sincere regard for the injured worker's quick recovery and an expression of the worker's value.

**We recommend** 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.
- B. Employee's responsibilities while on Injury Leave.

### **Management's Response:**

Management concurs.

#### **4. The City's ability to extract and utilize WC claims data is limited.**

The City has read-only access to WC information maintained by WNA. The City cannot download information from WNA's database and thus cannot rapidly extract and compile this data to report WC activity. WNA provides the City certain standard reports on WC activity. However, the contract allows WNA to charge

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the City extra for any *ad hoc* reports. Presently WNA is not charging for the *ad hoc* reports. Additionally, WNA does not provide data on gender or ethnicity as the TWCC does. Networking with comparable Texas cities for WC claim information is not formally and regularly maintained.

The City of Austin maintains actual data on WC claim costs (less TPA fees) per Fiscal Year for various Texas cities. Austin uses this data to benchmark their WC program. We obtained the WC claim costs for larger Texas cities and compared them to the City of Dallas. The following is the FY 01-02 and FY 02-03 WC claim costs:

WC Claim Analysis FY 01-02						
Cities	Austin	Dallas	El Paso	Houston	San Antonio	Ft. Worth
Claims Pmts.	\$7,364,882	<b>\$16,658,741</b>	\$9,284,985	\$22,728,068	\$9,885,603	\$9,281,569
Total Claims	1,848	<b>2,607</b>	1,574	3,588	1,900	2,065
Cost Per Claim	\$3,985	<b>\$6,390</b>	\$5,899	\$6,334	\$5,203	\$4,495
Total FTE	11,465	<b>12,000</b>	6,465	22,000	13,031	5,592
Cost Per FTE	\$642	<b>\$1,388</b>	\$1,436	\$1,033	\$759	\$1,660
Claims Per FTE	0.161	<b>0.217</b>	0.243	0.163	0.146	0.369

WC Claim Cost FY 02-03						
Cities	Austin	Dallas	El Paso	Houston	San Antonio	Ft. Worth
Claims Pmts.	\$8,524,731	<b>\$16,289,501</b>	\$9,741,955	\$22,540,456	\$10,100,000	No Data
Total Claims	1,950	<b>2,254</b>	1,465	3,247	1,978	No Data
Cost Per Claim	\$4,372	<b>\$7,227</b>	\$6,650	\$6,942	\$5,106	No Data
Total FTE	10,576	<b>12,000</b>	6,245	22,092	12,439	No Data
Cost Per FTE	\$806	<b>\$1,357</b>	\$1,560	\$1,020	\$812	No Data
Claims Per FTE	0.184	<b>0.188</b>	0.235	0.147	0.159	No Data

For both periods Dallas had the highest cost per claim. Dallas had the third highest claims per FTE in FY 01/02 and the second highest in FY 02/03.

Due to WNA not providing data on gender or ethnicity, the City may be limited in identifying areas of risk and designing preventive programs to address these areas. The department may be perceived negatively by stakeholders desiring specific information in an expedient manner. Information should be accurate, accessible, and specific to enhance decision making capabilities. Information should be obtained from comparable entities to aid in benchmarking and in identifying potential areas of concern.

**We recommend** 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.
- 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.



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C. Structure preventative programs in identified high-risk areas and departments.

### Management's Response

We concur. An initial step has been taken to extract WC claim information that allows for data analyses. This is accomplished by the TPA downloading claim information to the City in an Access database format on a monthly basis, for manipulation of data. One of the requirements in the upcoming Request for Proposal will be the ability to extract and utilize claims data to create desktop reports. Exchanged information, along with other data, will be used and benchmarked to identify potential areas for improvement.

### 5. Administrative Directives and Personnel Rules are outdated and ineffective.

The following three ADs relate to WC issues, 3-31, On-Job Injuries, 3-32, Employees Safety Awards Program, and 3-34, Accident, Illness and Injury Prevention Program. These ADs have a latest revision date of 10/2/95. We observed several outdated and deficient sections of the ADs. Some of these sections were non-applicable, and some of them were not adhered to. The following are examples:

The Supervisor's Injury Investigation Report in AD 3-31 does not require or provide space for supervisors to explain why they feel an Adjustor Investigation (Box 72) is needed. There are not established procedures for supervisors to follow in requesting a claim investigation. During our conversations with department representatives, we found that often the employee had some type of job dissatisfaction shortly before experiencing an on-the-job injury. According to TWCC, such things as negative relationships with co-workers, disciplinary or pay issues, workload concerns, or job dissatisfaction have an effect on individual WC claims. The investigation report does not provide an area to address these issues.

AD 3-32 addresses the employee safety award program. As mentioned earlier, due to budget constraints, the safety award program has almost been eliminated. The following are selected areas from this AD:

- AD refers to the dissolved City Accident Appeals Board.
- For the period of time exceeding five years, eligible employees shall receive awards. This is not being practiced.

## **OPPORTUNITIES FOR IMPROVEMENT**

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- The Safety Division of HR shall be responsible for approving the selection and ordering of all items of recognition and awards. This is not being done.

AD 3-34, addresses the City's accident, illness, injury and prevention program. This AD identifies significant responsibilities for the City Safety Manager (CSM); however, this position no longer exists. Responsibilities include:

- City accident prevention program
- Citywide safety training program
- WC program
- Investigation of serious accidents

Ordinance 25630 became effective 6/03/04, replacing a previous ordinance that had reduced the City's contribution of wage supplementation for individuals on WC lost-time-leave from 52 weeks to 13 weeks. Ordinance 25630 now increased the maximum wage supplementation back to 52 weeks. The ordinance provides that for an injured employee to be eligible for wage supplementation payments, the employee must choose a treating physician who is a member of the City's workers' compensation preferred provider network. This relieves the City of any obligation to provide wage supplementation benefits to injured employees who are treated outside of the preferred provider network. The City Personnel Rules and Administrative Directive 3-53 address the salary continuation plan, but contain outdated information. Neither has been updated to include the preferred provider network requirement nor did it address the reduction of the eligibility period and when it is applicable.

The procedures and written ADs have not been regularly updated to reflect current practices and procedures. The latest revision date for these ADs was 10/2/95. Outdated procedures may provide inappropriate direction and create confusion. Claims may be mishandled, and the City may incur unnecessary medical payments and other expenses. Effective procedures require regular review to ensure appropriateness.

**We recommend** that the Director of Human Resources:

- A. Establish procedures to ensure that their ADs are frequently updated to reflect City Council approved policies.
- B. Revise the Supervisor's Injury Investigative Report to allow supervisors an opportunity for feedback, comments, and recommendations.

**Management's Response:**

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## **OPPORTUNITIES FOR IMPROVEMENT**

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Management concurs. Administrative Directives and personnel rules relating to WC issues and safety are being updated and/or deleted. The Supervisor's Injury Investigative Report Form will be reviewed by the Human Resources Safety Team (comprised of key operating departments) when ADs are reviewed.

**OPPORTUNITIES FOR IMPROVEMENT****Exhibit A**

The City's Frequency Analysis and Loss Nature for the period from 10/1/01 through 9/30/03

Lost Days indicate days after the 7<sup>th</sup> day of absence.

No.	Category	Individual Departmental Totals			Individual Percent of Totals			Category Averages	
		Claims	Paid	Lost Days	% Of Total Claims	% Of Total Paid	% Of Total Lost Days	Paid Per Claim	Lost Days Per Claim
1	Amputation	2	\$3,909	529	0.04%	0.02%	0.46%	1,955	264
2	Angina Pectoris	8	\$5,937	241	0.16%	0.04%	0.21%	742	30
3	Burn	73	\$238,108	1,178	1.46%	1.41%	1.03%	3,262	16
4	Concussion	14	\$51,550	115	0.28%	0.31%	0.10%	3,682	8
5	Contusion	502	\$1,228,127	8,282	10.03%	7.24%	7.24%	2,446	16
6	Crushing	79	\$143,649	801	1.58%	0.85%	0.70%	1,818	10
7	Dislocation	17	\$115,402	492	0.34%	0.68%	0.43%	6,788	29
8	Electrical Shock	4	\$11,568	77	0.08%	0.07%	0.07%	2,892	19
9	Foreign Body	95	\$30,635	428	1.90%	0.18%	0.37%	322	5
10	Fracture	58	\$708,393	3,971	1.16%	4.20%	3.47%	12,214	68
11	Freezing	3	\$427	4	0.06%	0.00%	0.00%	142	1
12	Hearing Loss	5	\$4,440	0	0.10%	0.03%	0.00%	888	0
13	Heat Prostration	23	\$4,963	41	0.46%	0.03%	0.04%	216	2
14	Hernia	9	\$59,956	212	0.18%	0.36%	0.19%	6,662	24
15	Infection	38	\$12,185	118	0.76%	0.07%	0.10%	321	3
16	Inflammation	239	\$290,934	1,890	4.78%	1.73%	1.65%	1,217	8
17	Laceration	378	\$268,908	2,268	7.56%	1.60%	1.98%	711	6
18	Myocardial Infraction	16	\$31,229	307	0.32%	0.19%	0.27%	1,953	19
19	Puncture	359	\$249,455	2,255	7.18%	1.48%	1.97%	695	6
20	Rupture	1	\$0	0	0.02%	0.00%	0.00%	0	0
21	Severance	6	\$4,623	18	0.12%	0.03%	0.02%	771	3
22	Sprain	596	\$2,403,809	17,752	11.91%	14.27%	15.51%	4,033	30
23	Strain	1,617	\$9,528,013	61,526	32.32%	56.54%	53.75%	5,892	38
24	Asphyxiation	1	\$0	0	0.02%	0.00%	0.00%	0	0
25	Vision Loss	5	\$0	0	0.10%	0.00%	0.00%	0	0
26	All Other	456	\$814,810	7,759	9.11%	4.84%	6.78%	1,787	17
27	Dust Disease	29	\$1,891	319	0.58%	0.01%	0.28%	65	11
28	Respiratory	25	\$2,894	5	0.50%	0.02%	0.00%	116	1
29	Poising	19	\$37,126	364	0.38%	0.22%	0.32%	1,954	19
30	Dermatitis	30	\$5,178	45	0.60%	0.03%	0.04%	174	2
31	Mental Disorders	2	\$0	0	0.04%	0.00%	0.00%	0	0
32	Other Disease	13	\$48,446	496	0.26%	0.29%	0.43%	3,727	38
33	Radiation	1	\$2,064	0	0.02%	0.01%	0.00%	2,064	0
34	All Other Diseases	2	\$150	0	0.04%	0.00%	0.00%	75	0
35	Hearing Loss	8	\$7,897	0	0.16%	0.05%	0.00%	987	0
36	Contagious Disease	113	\$4,405	6	2.26%	0.03%	0.01%	39	1
37	Aids	1	\$0	0	0.02%	0.00%	0.00%	0	0
38	Mental Stress	6	\$0	0	0.12%	0.00%	0.00%	0	0
39	Carpal Tunnel Syndrome	34	\$34,051	270	0.68%	0.20%	0.24%	1,002	8
40	Other Cumulative Injuries	98	\$461,563	2,582	1.96%	2.74%	2.26%	4,710	26
41	Not Classified	18	\$33,889	110	0.36%	0.20%	0.10%	1,883	6
	<b>Results</b>	<b>5,003</b>	<b>\$16,850,584</b>	<b>114,461</b>	<b>100.00%</b>	<b>100.00%</b>	<b>100.00%</b>	<b>\$3,368</b>	<b>23</b>

## OPPORTUNITIES FOR IMPROVEMENT

### Exhibit B

Analysis of Claims from the City's Frequency Analysis and Loss Nature for the period from 10/1/01 through 9/30/03 - Lost Days indicate days after the 7<sup>th</sup> day of absence.

Categories with the Highest Number Of Claims FY 2002 – FY 2003			
Place	Category	Number Of Claims	Percent of Total Claims
1	Strain	1,617	32.32%
2	Sprain	596	11.91%
3	Contusion	502	10.03%
4	All Others	456	9.11%
5	Lacerations	378	7.56%
6	Puncture	359	7.18%

Categories with the Highest Claim Costs (Over \$200,000) FY 2002 – FY 2003				
Place	Category	Claim Costs	Number Of Claims	Cost Per Claim
1	Strain	\$9,528,013	1,617	\$5,892
2	Sprain	\$2,403,809	596	\$4,033
3	Contusion	\$1,228,127	502	\$2,446
4	All Others	\$814,810	456	\$1,787
5	Fracture	\$708,393	378	\$12,214
6	Other Cumulative Injuries	\$461,563	359	\$4,710

Categories with the Highest Lost Time (Over 2,500 Days) FY 2002 – FY 2003 Lost Time Indicates Time after the 7 <sup>th</sup> day				
Place	Category	Total Lost Days	% Overall Total Lost Days	Average Lost Day Per Claim
1	Strain	61,526	53.75%	38
2	Sprain	17,752	15.51%	30
3	Contusion	8,282	7.24%	17
4	All Other	7,759	6.78%	17
5	Fracture	3,971	3.47%	68
6	Other Injuries	2,582	2.26%	26

Categories with the highest Average of Lost Days Per Claim FY 2002 – FY 2003			
Place	Category	Total Claims	Lost Days Per Claim
1	Amputation	2	265
2	Fracture	58	68
3	Other Disease	496	38
4	Strain	61,526	38
5	Sprain	17,752	30
6	Dislocation	492	29