

ALAN G. HEVESI
COMPTROLLER



110 STATE STREET
ALBANY, NEW YORK 12236

STATE OF NEW YORK
OFFICE OF THE STATE COMPTROLLER

November 30, 2006

Ms. Donna Ferrara
Chairwoman
Workers' Compensation Board
20 Park Street
Albany, N.Y. 12207

Re: Report 2006-F-33

Dear Chairwoman Ferrara:

Pursuant to the State Comptroller's authority as set forth in Article V, Section 1 of the State Constitution; and Article II, Section 8 of the State Finance Law, we have followed up on the actions taken by officials of the Workers' Compensation Board (Board) to implement the recommendations contained in our audit report, *Selected Aspects of Claims Processing* (Report 2005-S-22).

Background, Scope and Objective

In New York State (State), the Workers' Compensation Law (Law) requires almost all employers to provide workers' compensation insurance coverage for their employees. Through this coverage, eligible employees who are unable to work because of a work-related injury or illness receive cash payments to replace their lost wages; and the related medical bills are paid by their employers' insurance carriers.

The workers' compensation program in New York is administered by the Workers' Compensation Board (Board), a State agency funded by assessments levied on workers' compensation insurers and self-insurers operating in the State. The Board receives and processes employees' claims for benefits, employers' reports of injury, and medical reports from health care providers. It is also responsible for adjudicating and resolving issues related to the claims.

The Board has 13 Commissioners, who are appointed by the Governor, by and with the advice and consent of the Senate, for seven-year terms. For the State's 2004-05 fiscal year, the Board had about 1,400 employees and an annual appropriation of almost \$175 million for agency operations. The Board processes claims in 11 district offices: Albany, Binghamton, Brooklyn, Buffalo, Hauppauge, Hempstead, Manhattan, Peekskill, Queens, Rochester, and Syracuse. It also maintains 30 customer service centers across the State where hearings are held and where claimants may review their case files.

During 2005, the Board resolved all open and pending issues for over 312,000 cases, including both new claims it accepted and prior cases that were reopened at the request of a claimant, carrier, or other interested party to address a possible change in the claimant's circumstances. A case is considered resolved when all pending issues have been determined.

To handle this workload, the Board relies heavily on electronic data processing systems to process claims. Specifically, the Board uses an electronic case management system called the Claims Information System (CIS) for tracking information related to a claim. The systems allows Board staff to organize scanned documentation such as medical records and hearing testimony, enter electronic case notes, and track various aspects in the processing of a claim.

Our initial audit report, which was issued on August 31, 2005, examined whether the Board established performance parameters for measuring selected aspects of claims processing, and whether the Board established adequate controls over their electronic data processing systems.

Our report identified some opportunities for system improvements in the areas of case activity documentation, performance and payment monitoring, and controls over data. Specifically, we found that the Board could make better use of certain features of CIS, which were being underutilized. We identified a need to monitor initial compensation payments made to claimants, as well as a need for improvements to certain internal control weaknesses regarding system access and backup systems. Further, we found the issuance and retention of user IDs and passwords were not always handled appropriately.

The objective of our follow-up, which was conducted in accordance with generally accepted government auditing standards, was to assess the extent of implementation as of October 3, 2006 of the six recommendations included in our initial report.

Summary Conclusions and Status of Audit Recommendations

We found that Board officials have made progress in correcting the problems we identified. However, some additional improvements are needed. Of the six audit recommendations, four recommendations have been implemented and two recommendations have been partially implemented.

Follow-up Observations

Recommendation 1

Encourage claims examiners to use the case notes feature in the Claims Information System for documenting the reasons for delays and other issues with cases. Review that information regularly to develop strategies for improving claims processing.

Status - Implemented

Agency Action - Board officials have included a discussion of the case notes feature in training developed for examiners. In addition, Board management holds regular meetings with each

district office. During these meetings, the case notes feature is reviewed and its use is encouraged. Board officials use these case notes to identify opportunities for improvements.

Recommendation 2

Remind report owners to use the narrative analysis feature of MIRROR for documenting targets that are not met.

Status - Implemented

Agency Action - Board officials hold regular meetings throughout the year to discuss claims processing issues with employees at each of the district offices. Minutes of these meetings show that Board officials discuss the narrative analysis in the Management Information, Research, References and Operation Reports (MIRROR) System, which is the Board's performance measure system. Board officials recognize those district offices which use the narrative analysis feature consistently and remind those district offices which do not use the narrative analysis feature of its value to the Board.

Recommendation 3

Monitor electronically the timeliness of initial compensation payments made to claimants. Assess a penalty if payment does not start on time.

Status - Implemented

Agency Action - The Board is able to electronically monitor the timeliness of such payments and can generate a report on this information. Currently, this report is produced through a special run. Such a report for the period June 1, 2006 through August 30, 2006 identified seven instances of late initial payments, all of which resulted in a penalty being assessed.

Recommendation 4

Complete the disaster recovery plan promptly, and perform periodic tests of its utility.

Status - Partially Implemented

Agency Action - The Board is in the process of developing a disaster recovery plan. Board officials have determined that a hot site (a location capable of being up and running within 48 hours) is the most appropriate for their needs. Initially, the New York State Office of General Services directed the Board to wait until a State-wide contract for hot site services had been completed. In early 2006, however, the Board was directed to develop their own Request for Proposal for hot site services. The Board expects to issue its Request for Proposal by the end of the current year. Once that contract is in place, the Board plans to test its disaster recovery plan. In the interim, the Board has made arrangements with its vendors to obtain additional servers in case of an emergency. However, they are unable to test this interim disaster recovery plan, as it calls for real-time purchases of expensive computer hardware.

Recommendation 5

Implement the detailed access control recommendations that were presented in a separate document.

Status - Partially Implemented

Agency Action - Board officials provided us with information on the steps they have taken to strengthen controls over personnel access to key systems. We determined additional work is needed in this area.

Recommendation 6

Continue to use the No-Claims sweep report to identify and assign documents to the appropriate case folders.

Status - Implemented

Agency Action - Board employees continue to use the No-Claims sweep report each week. Based on the reports we reviewed, Board employees take no more than two weeks to identify unassigned documents and assigned them to the appropriate case folders.

Major contributors to this report were Cindi Frieder, Chris Rush, Jennifer Paperman, and Sarah Purcell.

We would appreciate your response to this report within 30 days, indicating any actions planned to address the unresolved issues discussed in this report. We also thank the management and staff of the Board for the courtesies and cooperation extended to our auditors during this process.

Very truly yours,

Cindi Frieder
Audit Manager

cc: Lisa Ng, Division of the Budget