FOLLOW-UP REPORT
Workers’ Compensation Program
Department of Finance
September 2020

INJURED ON THE JOB?
Call your supervisor, then
Call the OUCH Line
303-436-6824

If your injury is not life threatening, call the OUCH Line to speak with a nurse. You will be provided with the next steps for your care.

For information and instructions to file a claim, see Risk Management’s SharePoint site.
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Cover photo by Denver Auditor’s Office staff.
September 3, 2020

AUDITOR’S LETTER

In keeping with generally accepted government auditing standards and Auditor’s Office policy, as authorized by city ordinance, the Audit Services Division has a responsibility to monitor and follow up on audit recommendations to ensure city agencies address audit findings through appropriate corrective action and to aid us in planning future audits.

In our follow-up effort for the “Workers’ Compensation Program” audit report issued in October 2018, I am disappointed to report the Department of Finance’s workers’ compensation unit did not implement most of the recommendations we made in the original audit report. The risks associated with the audit team’s initial findings have been only partially mitigated. As a result, the Audit Services Division will likely revisit these risk areas in future audits to ensure the city takes appropriate corrective action.

The Highlights page in this report provides background and summary information about the original audit and the completed follow-up effort. Following the Highlights page is a detailed implementation status update for each recommendation. We did not update the status of one recommendation that the workers’ compensation unit disagreed with, as the unit presumably would not have taken action toward implementing this; however, this recommendation is included in the status update section as a reference.

I would like to express our sincere appreciation to the personnel in the workers’ compensation unit who assisted us throughout the audit and the follow-up process. For any questions, please feel free to contact me at 720-913-5000.

Denver Auditor’s Office

Timothy M. O’Brien, CPA
Auditor
Workiers’ Compensation Program
September 2020

Objective
The objective of this audit was to determine whether the City and County of Denver’s self-insured workers’ compensation program model delivers services to employees cost effectively and efficiently. Additionally, we assessed whether the city properly funds its self-insured program and is reporting in compliance with Generally Accepted Accounting Principles.

Background
The 2017 Colorado Workers’ Compensation Act allows employees to claim workers’ compensation benefits for injuries and occupational diseases arising out of and during the employee’s employment. The city maintains a self-insured and self-administered program to process and purchase excess insurance to cover costs greater than $2.5 million for an individual occurrence. In 2017, the workers’ compensation unit of the city’s Risk Management Office processed 927 claims with incurred costs of approximately $6.8 million, according to infographics prepared by the workers’ compensation unit. This reflected a continuing trend of reduced claims and cost of claims.

Highlights from Original Audit
In our second audit of the program, we identified issues with strategic planning and policies and procedures that needed to be updated to improve accounting presentation, the process and system controls environment as well as operational effectiveness and efficiency.

Program Costs Understated – Workers’ compensation salary continuation benefits were not charged to the Workers’ Compensation Internal Service Fund, which resulted in an understatement of the total cost of workers’ compensation by approximately 10%. As a result, the internal service fund may not have complied with financial accounting standards for an internal service fund. Additionally, the liability associated with salary continuation was not reported in the city’s Comprehensive Annual Financial Report.

No Formal Strategic Plan – Risk Management did not have a formal strategic planning approach to evaluate and compare different workers’ compensation organizational and operational models. A more comprehensive approach inclusive of total program costs and formal key performance indicator reporting could have led to more efficient and effective program management to potentially uncover new cost savings opportunities and provide more transparency to the city’s employees and the public.

Policies and Procedures Needed Revision – The workers’ compensation unit had not updated its internal policies to reflect current business practices. The audit also identified an ineffective supervisor report and check-logging controls and other controls that needed to be upgraded, including formal contract monitoring and reviews of subcontractor control environments that provide outsourced operational and financial processes to the unit. The unit needed to also attempt to accept electronic fund transfers. Also, the unit needed to review the fund balance target policy and consider modifications.

Risk Management Information System Did Not Support Current Business Processes – STARS, used for reporting and tracking workers’ compensation claims, did not support current business processes effectively and efficiently. Limitations included the lack of ad hoc reporting for lost and restricted duty days, a lack of built-in data entry controls, allowing records to be deleted versus deactivated, and a lack of custom views and tools to work more effectively and efficiently.

REPORT HIGHLIGHTS

5  ✔️ FULLY IMPLEMENTED
1  🎨 PARTIALLY IMPLEMENTED
9  ✗ NOT IMPLEMENTED
1  📊 DISAGREED; NO FOLLOW-UP
While personnel in the workers’ compensation unit mitigated some of the risks described in the original audit, they did not implement nine recommendations and one recommendation was only partially implemented. This presents several lingering risks:

- By not including salary continuation in the Workers’ Compensation Internal Service Fund, the liability of the fund remains understated and unreported to the actuary.
- The workers’ compensation unit still does not calculate and report out on total program cost, which limits the city’s opportunity to track and evaluate the program.
- The unit has not developed a formal strategic plan that would allow management to address how to best provide workers’ compensation insurance in the most effective manner. Key performance indicators that would help evaluate the program periodically against other alternatives also were not developed.
- The workers’ compensation unit did not create procedures or formally establish which employees are responsible for identifying and addressing vendors’ noncompliance with contract terms. Without comprehensive monitoring by dedicated staff, the unit cannot sufficiently ensure vendors are meeting contract terms, ensure compliance with Executive Order No. 8, or ensure proper succession planning.
- The unit did not adequately follow through on obtaining and reviewing vendors’ service organization controls reports. Instead, the director of the Risk Management Office relied on vendors to self-identify whether they needed the report, and the director did not review any reports the city did receive. By not obtaining and reviewing these reports, the city is potentially uninformed about deficiencies that pose a risk to the program.
- The workers’ compensation unit purchased and used a new risk management information system, but the contract was terminated because the system could not meet the city’s needs. The system was supposed to increase efficiency and allow the Risk Management Office to develop a formal way to track noncompliance and establish automated reminders for supervisor reports. But these benefits were not realized.
Recommendation 1.1

Salary Continuation Accounting and Reporting – We recommend the workers’ compensation unit, in conjunction with the Department of Finance, develop an accounting and funding approach that allows salary continuation payments related to workers’ compensation claims to be:

- Accounted for in the Workers’ Compensation Internal Service Fund; and
- Calculated and report the liability associated with salary continuation in the Workers’ Compensation Internal Service Fund.

AGENCY ACTION

Original target date for completion: May 31, 2019

The director of the Risk Management Office asserts that the practice of budgeting and recording salary continuation in agency accounts versus the Workers’ Compensation Internal Service Fund complies with state law and city agreements, ordinances, and human resources rules. However, Recommendation 1.1 was aimed at ensuring the Workers’ Compensation Internal Service Fund complies with Governmental Accounting Standards Board criteria for an internal service fund — not compliance with state law, city agreements, ordinances, and human resource rules — as well as ensuring proper matching of revenue with expenses.

 Agencies pay for workers’ compensation through internal transfers. The city provides an added benefit of 80% or 100% of pay for the first 90 days, which is higher than the typical state-mandated 66%. The director of the Risk Management Office said that if the internal service fund paid these amounts, the amounts would then be rebilled to the agencies anyway — which the director said would add an extra step and create an administrative budgeting and accounting burden.

Rather than account for salary continuation payments in the internal service fund, the director of the Risk Management Office determined that reporting the aggregate cost in the city’s budget and noting it in the 2018 Comprehensive Annual Financial Report would be a sufficient alternative. Also, the Controller’s Office maintains the position that the current method of accounting for salary continuation payments is compliant with government accounting standards and does not need to be accounted for in the internal service fund.
The budget now includes a five-year trend for salary continuation, combined medical and indemnity costs, and the outstanding actuarial expended liability. However, these disclosures in the city’s budget and financial statements do not alleviate the risk that Recommendation 1.1 was attempting to address: compliance with Government Accounting Standards Board rules.

Furthermore, the director of the Risk Management Office provided us no documentation — such as meeting minutes or emails with decision points — attesting to how accounting for salary continuation payments in the internal service fund would be burdensome. By not including salary continuation in the Workers’ Compensation Internal Service Fund, the total program costs and liability of the fund remain understated.

As noted in the original report, Risk Management’s accounting practice impedes management’s ability to properly monitor the individual or overall claims costs. Additionally, this impacts the reported claim liabilities reserve, calling into question whether sufficient funds will be available for future claim costs. It is important that all workers’ compensation-related costs, payments, and liabilities are accurately recorded and reported when incurred to improve management’s oversight of the Workers’ Compensation Program costs.

Because of these factors, we consider this recommendation not implemented.

Recommendation 1.2

Use Payroll System for Indemnity Payments – Before the end of 2018, we recommend the workers’ compensation unit, in conjunction with the Controller’s Office, review the process for indemnity payments to determine whether it would be more efficient and effective to use the payroll system instead of the accounts payable system.

AGENCY ACTION

Original target date for completion: The Department of Finance said at the time of the original audit in October 2018 that this was already completed.

The workers’ compensation unit and the Controller’s Office considered switching systems for indemnity payments. After reviewing the legal requirements under state law and the functionality of the city’s accounting system, Workday, the workers’ compensation unit and the Controller’s Office

1 An indemnity payment describes an employee’s paid time off from work because of a work-related injury or occupational disease. It also describes payments caused by permanent or partial disability and agreed settlements between the city and employee for rights to future benefits or death benefits to eligible dependents.
determined Workday's payroll functionality is not suitable for processing indemnity payments for the following reasons:

- Not all indemnity payments are made to employees. Other potential recipients of indemnity payments include law firms representing clients, former employees, and family members of an injured party.

- State law requires hard deadlines for payments resulting in workers' compensation periods inconsistent with the city's payroll schedule.

- Payments can start and stop in the middle of a pay period, which Workday is not designed to do without extensive manual intervention.

- Processing payments in two different systems increases the risk for errors that could result in the city being fined by the state.

Because the workers' compensation unit and the Controller's Office considered switching systems and because of the limitations noted above, we consider this recommendation fully implemented.
**Recommendation 2.1**

**Formal Strategic Plan** – We recommend the Risk Management Office and the workers’ compensation unit develop a formal strategic plan to address how to best provide workers’ compensation insurance in the most effective manner, including cost and level of service provided to injured employees. This plan should be developed by mid-2019 and be used to drive any identified process and program changes prior to the next budget and insurance bidding process.

**AGENCY ACTION**

**Original target date for completion: April 30, 2019**

A strategic planning process typically involves clarifying an organization’s mission and values, developing a vision for the future, analyzing external challenges and opportunities, assessing internal strengths and weaknesses, developing strategic goals and objectives, identifying strategic issues, developing and evaluating alternative strategies, and developing action plans.²

The director of the Risk Management Office said that in preparation for the city’s annual budget process, the strategic planning is done and agreed-upon items are documented and included in individual work plans as appropriate. The director of the Risk Management Office gave us an undated one-page document listing objectives for 2019 through 2020. We determined the document does not meet the definition of a formal strategic plan.

Specifically, it lacks most of the necessary items required by a strategic plan that would allow the Risk Management Office and the workers’ compensation unit to address how to best provide workers’ compensation insurance in the most effective manner. Furthermore, we were not provided with written policies and procedures that instruct the organization on how to complete its strategic planning process, including who is responsible for conducting the analysis, what should be included in the plan, and how often the plan should be updated and revised.

As a result, we consider this recommendation not implemented.

Recommendation 2.2
Update Formal Strategic Plan – In addition, we recommend a process be implemented to update the strategic plan on a regular basis to adjust for any changes in the workers’ compensation requirements or needs.

AGENCY ACTION
Original target date for completion: April 30, 2019

Having a strategic plan is a prerequisite to being able to update the plan, and as discussed in the agency action for Recommendation 2.1, the workers’ compensation unit did not develop a formal strategic plan. Additionally, the unit did not develop a written policy and procedure for updating the strategic plan on a regular basis to adjust for any changes in workers’ compensation requirements or needs.

As a result, we consider this recommendation not implemented.

Recommendation 2.3
Self-Insurance Retention Evaluation – We recommend the Risk Management Office and the workers’ compensation unit evaluate the self-insurance retention level at higher, lower, and split levels based on higher- and lower-risk pools in conjunction with broker analysis and bidding to market for a new insurer whenever these insurance items are sent to bid.

AGENCY ACTION
Original target date for completion: July 1, 2019

As part of the 2019 annual insurance renewal process, the workers’ compensation unit compared the city’s workers’ compensation program to a full insurance-based program. Personnel in the workers’ compensation unit said they held monthly meetings with Pinnacol Assurance for a year to determine whether Pinnacol was a viable alternative.

The director of the Risk Management Office gave us a cost-comparison analysis, breaking down Pinnacol’s bids and the city’s current self-insurance model with an applicable self-insurance retention premium. According to the director of the Risk Management Office, the workers’ compensation unit concluded that self-insurance is still more cost effective and provides better flexibility for the city’s needs.

The director of the Risk Management Office also requested the city’s broker gauge various insurance providers’ interest in providing self-insurance retention policies. We found the results showed many of the insurers have...
no appetite for municipalities, and others would not meet the current premium the city pays in its current two-year contract. The director of the Risk Management Office said the city will get quotes again in 2021 at all self-insurance levels.

As a result, we consider this recommendation fully implemented.

**Recommendation 2.4**

**Calculate and Report Total Program Cost** – We recommend the workers’ compensation unit annually calculate and report on the total cost of the program, including medical, indemnity, direct and indirect administrative costs, and complete salary continuation costs.

**AGENCY ACTION**

*Original target date for completion: May 31, 2019*

The Risk Management Office has added further salary continuation expenditures and liabilities to the annual budget and the year-end financial statements in the city’s Comprehensive Annual Financial Report. However, the workers’ compensation unit still has not prepared and reported on the total cost of the workers’ compensation program.

For example, medical and indemnity costs are included in a table of explanatory language in the city’s budget, and salary continuation is included in another table. There is no mention of the treatment of direct and indirect administrative costs, including actuarial service providers, in either the budget or the year-end financial statements.

As we noted in the original report, reducing unwarranted costs is a primary goal. According to the Workers’ Compensation Manual, the Denver City Council, through ordinance, decided to create a self-insured and self-administered system in the belief the city would have greater control of the cost of claim administration. Not calculating the total cost of the program limits the opportunity to track and evaluate how well the city is meeting this goal and what improvements could be made.

As a result, we consider this recommendation not implemented.

**Recommendation 2.5**

**Develop Standard Key Performance Indicators** – We recommend the workers’ compensation unit develop standard key performance indicators for total program cost, claims processing, claims costs, and customer service to help
evaluate the program periodically against other model alternatives. All cost data should include all costs to the program.

AGENCY ACTION

Original target date for completion: June 30, 2019

Like Recommendation 2.1, this recommendation stressed the need to create and evaluate more formal annual strategic planning and performance indicators related to total program cost, claims processing, claims costs, and customer service. This included a formal process to measure the agency-defined performance indicators against other model alternatives.

But, as noted in the agency actions for recommendations 1.1 and 2.4, respectively, the workers’ compensation unit still does not account for all activity in its internal service fund, and it still has not calculated or transparently reported the total cost of the workers’ compensation program.

Additionally, we found no documented evidence the unit formally reviews indicators it already uses. We also found no evidence of a formal attempt — typically during strategic planning — to evaluate, consider, or attempt to add up the program cost or to refine what is currently reported internally for claims processing and customer service.

The workers’ compensation unit did reintroduce some metrics in the city’s budget; however, this disclosure does not completely report total program cost and does not address an evaluation of other efficiency metrics, such as claims processing and customer service. A systematic review and analysis has yet to be completed and documented during strategic planning, because a systematic, formal strategic review is not done annually.

As a result, we consider the recommendation not implemented.

Report Key Indicators – We recommend the workers’ compensation unit report its key performance indicators in an annual report or publish certain key indicators regarding workers’ compensation cost and efficiency on either public or city-facing websites, as soon as possible.

REPORT KEY INDICATORS

PARTIALLY IMPLEMENTED

Recommendation 2.6

AGENCY ACTION

Original target date for completion: Dec. 31, 2019

The director of the Risk Management Office provided us with an excerpt from the city’s 2020 budget, which included five years of the following indicators:
- The numbers of new claims.
- The dollar value of medical and indemnity claims.
- The dollar value of expended liability.
- The number of loss prevention trainings given.
- The dollar value of salary continuation paid by agencies.

However, not all key indicators are included in the budget, such as total program cost and the effectiveness and efficiency of claims processing.

As a result, we consider this recommendation only partially implemented.
Finding 3 | Policies and Procedures Are Not Current, and Opportunities Exist to Address Gaps and Improve Efficiencies

Recommendation 3.1

Update Policy and Procedures Annually – We recommend the workers’ compensation unit dedicate resources to update policies and procedures at least annually to reflect current business processes.

AGENCY ACTION

Original target date for completion: Sept. 30, 2019

The workers’ compensation unit updated its policies and procedures in November 2019. The audit team reviewed both the updated manual and the previous manual dated December 2016.

We determined the manual had been changed to reflect current business processes. The director of the Risk Management Office said the manual will be updated every year as part of the supervisor’s yearly performance plan.

As a result, we consider this recommendation fully implemented.

Recommendation 3.2

Strengthen Check Handling Controls – To strengthen existing internal controls, we recommend the workers’ compensation unit use a daily check log and update workers’ compensation policies and procedures to include this requirement and consider setting up an Enterprise Cashiering Solution online receipting function for subrogation and restitution payments.

AGENCY ACTION

Original target date for completion: The Department of Finance said at the time of the original audit in October 2018 that this was already completed.

In January 2019, the workers’ compensation unit created a policy and procedure regarding cash handling. The document contains procedures requiring the use of a daily check log for checks received by the workers’ compensation unit.

We traced one check from the log through the accounting system to verify the accuracy of the documentation and process, and we found no problems.
The workers’ compensation unit also considered using the Enterprise Cashiering Solution online receipting function, as the recommendation called for. However, most outside entities prefer using a paper check for payment, and the city cannot require outside entities to use its Enterprise Cashiering Solution online receipting function.

As a result, we consider this recommendation to be fully implemented.

**Recommendation 3.3**

**Supervisor Reports** – To strengthen existing internal controls, we recommend the workers’ compensation unit:

- Continue its emphasis on training agency supervisors on their responsibilities to complete a timely supervisor report and develop a formal mechanism that measures noncompliance; and
- Establish an automated reminder process for past-due supervisor reports with escalation to higher levels of management as part of the implementation of new reporting system.

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**AGENCY ACTION**

**Original target date for completion: June 30, 2019**

The director of the Risk Management Office said the city switched to an electronic reporting format for supervisor reports. Supervisors use their phones or tablets to make reports from the field. Additionally, the city requires supervisors to complete workers’ compensation training within a specified time period. This required online learning includes training on supervisor reports.

The Risk Management director said no formal mechanism measures supervisors’ noncompliance when they do not file a report; it is still a manual process. The workers’ compensation unit’s intention was to measure noncompliance using the new risk management information system, but as we discuss in the agency action for Recommendation 4.1, the new system could not meet the city’s needs. If evidence confirming the injury or illness by the employee’s direct supervisor is not captured, this results in an insufficient assessment of whether the city should accept liability for the injury or illness, medical cost, and employee time.

Because the contract for the new system was terminated in 2019, the workers’ compensation unit was unable to establish an automated reminder process for past-due supervisor reports with escalation to a higher level of management. The Risk Management director said the unit is negotiating with the current risk management information system vendor about adding programming, potentially in 2021.

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**NOT IMPLEMENTED**
As a result, we consider this recommendation not implemented.

**Recommendation 3.4**

**Contract Monitoring** – To strengthen vendor contract monitoring, we recommend the workers’ compensation unit strengthen its existing contract monitoring program for all vendors providing services supplementing workers’ compensation operational and financial processes by:

- Identifying and assigning a designee(s) within the workers’ compensation unit to manage the contract monitoring program; and
- Developing procedures to identify and address noncompliance with contract terms by service.

**AGENCY ACTION**

**Original target date for completion: Feb. 28, 2019**

During our follow-up work, the director of the Risk Management Office said the workers’ compensation unit did not develop procedures for contract monitoring as the recommendation called for.

Therefore, the workers’ compensation unit is also not in compliance with Executive Order No. 8 — which requires the initiating agency to establish and implement policies and procedures for monitoring contracts by specifying accountable employees, developing guidance on addressing noncompliance with contract vendors, and ensuring the vendor is paid promptly in compliance with the city’s prompt payment ordinance.

The director said there were two designees for contract monitoring, but these designees were not documented in writing. As a result, we consider this recommendation not implemented.

**Recommendation 3.5**

**Service Organization Controls** – To strengthen internal controls surrounding subcontracted operational and financial controls, we recommend the workers’ compensation unit request that all organizations providing services that affect operational and financial processing perform a Service Organization Controls 1, Type II, report covering the company’s system of controls over services provided to the city. In the absence of such a report, we recommend the workers’ compensation unit develop a mechanism of formal controls to ensure that subcontracted operational and financial controls are adequate and reliable.
AGENCY ACTION

Original target date for completion: Feb. 28, 2019

The director of the Risk Management Office said the workers’ compensation unit asked the Controller's Office to review all the workers’ compensation unit contracts and provide a list of service providers who would need a service organization controls report. However, the unit received no response from the Controller's Office.

The Risk Management director said they requested service organization controls reports from vendors, but the director relied on the service providers to self-identify whether each actually needed to submit a service organization controls report. For any service organization controls reports that are received, the Risk Management director does not review them.

If the workers' compensation unit were to obtain service organization controls reports, it could better determine whether vendors’ systems and processes include sufficient and effective internal controls and provide the city with accurate and reliable financial data.

As a result, we consider this recommendation not implemented.

Recommendation 3.6

Multiple Claims Review – We recommend that the workers’ compensation unit add a formal process to the workers’ compensation policies and procedures to include regular management review of cases where injured workers have multiple claims, sometimes spanning many years, to ensure that treatment and costs are coded to the proper claim, subrogation efforts are proper, approved treatments are not exceeded, and salary continuation and indemnity payments are accounted for properly.

AGENCY ACTION

Original target date for completion: Sept. 30, 2019

The workers’ compensation unit implemented a new procedure for management reviews of injured workers with multiple claims. The audit team reviewed this new procedure, which involves management reviewing multiple claims on a quarterly basis. We reviewed evidence for three quarters and found management reviews were documented in accordance with the new procedure.
As a result, we consider this recommendation fully implemented.

**Recommendation 3.7**

**Current Target Fund Policy** – We recommend the workers' compensation unit in conjunction with the Cash, Risk, and Capital Funding Division consider revising its current target base fund policy for the Workers' Compensation Internal Service Fund to:

- Adopt the actuarially determined 80% confidence funding level;
- Specify a minimum 70% confidence funding level; and
- Incorporate the workers’ compensation claim reserve and fund reserve policy into the city's financial and reserve policies.

**AGENCY ACTION**

No action was taken to implement this recommendation, because the agency disagreed with the recommendation made in our original report.

This was the agency's response to the recommendation when the original report was issued in October 2018:

*The Actuary provides the annual calculation of the WC Fund liability which is used to report on the program in the CAFR and for budgeting the premium the WC Internal Service Fund charges City, agencies. To arbitrarily report and fund a greater amount distorts the Fund’s status. Various confidence levels are provided and are evaluated in accordance with the policy adopted by the WC program. Arbitrarily establishing greater reserves than the current policy of no less than the liability calculated and a target of each year at a 75% confidence level have been more than sufficient to address claims against the fund. It provides management flexibility to address other program needs. The policy balances having sufficient financial resources each year to address claims while not overly committing resources that can be applied to other worthwhile objectives.*

*Denver’s financial structure further supports the current policy in that the Charter requires the City budget include a 2% contingency each year. In the unlikely event the City experiences a catastrophic loss that depletes the fund below the calculated liability, this contingency can be drawn upon. Because claims are paid out over time, shortfalls can be made up over several years. The City currently self-insures for claims up to $2.5 million when its insurance kicks in to cover claims.*
The audit focused solely on the component that oversees payments to injured workers and did not review the other key component of the WC program, namely injury prevention and awareness. Over the past 5 years, emphasis has been on preventing injuries through greater awareness and outreach programs. An industrial safety officer has been embedded in the Department of Safety (comprised of the three agencies with the greatest number of WC claims). Physical therapists have been stationed in fire houses to eliminate the need for injured fire fighters to leave work to receive treatment, with the added bonus that individuals who have a minor ailment can seek advice on how to carry out duties without further aggravation of the injury. A city-wide safety survey has been conducted. The well-received Active Shooter training provided in conjunction with the Police Department was developed based upon feedback from that survey. The Denver Ready Program is actively being rolled out in conjunction with Emergency Management to further provide advice on responding to emergencies both at work and home.

As the audit points out, the number of claims dropped by 10.5% year over year in 2017 and the dollar amount of claims have decreased by 40% in 2017 from 2015. These decreases occurred while Full Time Equivalent employees increased by 7% (11,300).

Stranding dollars arbitrarily that could otherwise be used on efforts to prevent and reduce injuries would seem to be contrary to the best interest of the WC mission.
Recommendation 4.1

Risk Management Information System Controls and Functionality – To strengthen internal controls and increase efficiencies in the claims management process, we recommend the workers’ compensation unit:

- Ensure that data application controls such as required fields, drop-down selection menus, field edit controls, record deactivation capabilities, and system security and record edit reports be included in system requirements for the new risk management information system;
- Update departmental policy and procedures defining data field use and what is expected for data entry, especially for data fields that will have more open-ended information requirements;
- Improve controls and claims-processing efficiencies by including customizable screen views, flags for stipulations from previous claims, a three-point edit check for claim number, date of injury and body part injured match, and system enhancements to help adjusters better manage multiple claims for multiple injuries over multiple years;
- Automate interfaces between all IT systems used to the extent possible; and
- Develop additional manual compensating controls for all controls that cannot be implemented in the application.

AGENCY ACTION

Original target date for completion: April 30, 2019

The workers’ compensation unit entered into an agreement with a new risk management information system vendor in 2019. The new system ran concurrently with the old system for about 10 months. The workers’ compensation unit spent those 10 months migrating data and attempting to align the new system with the city’s needs.

However, the Risk Management Office determined the new system could not meet the city’s needs, and therefore, the contract was terminated. The workers’ compensation unit then reverted to using only the old system, so none of the items in Recommendation 4.1 could be implemented.

The Risk Management director and the current risk management system
vendor are discussing changes and additional programming, which could be implemented in 2021. However, the COVID-19 pandemic may delay the workers' compensation unit's progress.

As a result, we consider this recommendation not implemented.
Office of the Auditor

The Auditor of the City and County of Denver is independently elected by the citizens of Denver. He is responsible for examining and evaluating the operations of City agencies and contractors for the purpose of ensuring the proper and efficient use of City resources. He also provides other audit services and information to City Council, the Mayor, and the public to improve all aspects of Denver's government.

The Audit Committee is chaired by the Auditor and consists of seven members. The Audit Committee assists the Auditor in his oversight responsibilities regarding the integrity of the City's finances and operations, including the reliability of the City's financial statements. The Audit Committee is structured in a manner that ensures the independent oversight of City operations, thereby enhancing citizen confidence and avoiding any appearance of a conflict of interest.

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