

IOWA STATE UNIVERSITY

Internal Audit Report

Executive Summary

Workers' Compensation

June 16, 2004

Report Distribution

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Introduction

Workers' compensation is a part of the Iowa Code designed to provide certain benefits to employees who sustain injuries, occupational illnesses, or occupational hearing loss arising out of and during the course of their employment. Benefits are payable regardless of fault and are the exclusive remedy of the employee against the employer.

Payment will be made on compensable cases for medical treatment, prescriptions, and related expenses when medical services are received through an approved provider. Employees are also paid for time lost from work if they are unable to work for more than three days.

In June 2003, a Regent Workers' compensation Advisory Committee was established. Management indicates that this committee has identified regent-wide workers' compensation issues and formed centralized documentation of procedures and/or policies in an effort to assure consistency on policies already in place and also to provide guidance on policies and procedures that should be implemented. At ISU, the Office of Risk Management has established two workers' compensation committees and has provided training to supervisors.

At Iowa State University, administration of the workers' compensation program has most recently been the responsibility of the Office of Risk Management. During the audit, University administrators made the decision to transfer the workers' compensation program to Human Resource Services pending the hire of a workers' compensation specialist.

Scope

The scope of the audit included the workers' compensation claim process. Our objectives were to evaluate:

- Accuracy of workers' compensation processing
- Coordination of workers' compensation activities
- Awareness of workers' compensation responsibilities
- Adequacy of procedural documentation and processing criteria

Due to the reorganization of the workers' compensation function that began during the audit, we chose to limit our audit work to interviewing personnel involved in the administration of workers' compensation and performing a general review of processes and procedures.

Observations

The Detailed Observations and Management's Action Plans section of this report describes the following areas in which improvements can be made:

1. Guidance Provided to Employees
2. Procedural Documentation

Management's Action Plans

We discussed with management our audit observations and recommendations for remedial action. We then assisted management in developing their action plans and establishing target dates for implementation.

For the reported observations, management's responsibility is to take appropriate action, and Internal Audit's responsibility is to monitor the status of implementation. Internal Audit will, therefore, initiate a follow-up review in September 2004. At that time, we will ask management to provide documentation describing the actions implemented or, alternatively, their acceptance of the risks of not taking action.

Completed by: Karen Cline
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Internal Audit Report
Detailed Observations and Management's Action Plans
Workers' Compensation
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Observation 1: Guidance Provided to Employees

Although the Office of Risk Management has offered training sessions to assist supervisors with the proper procedures for reporting and handling workers' compensation claims, no ISU website or other easily accessible resource exists with information about workers' compensation and related procedures. A website could provide easily accessible information that helps ensure employees have the appropriate knowledge to be in compliance with workers' compensation requirements.

Management's Action Plan

We will develop a website that provides information relevant to workers' compensation. The website will include the following topics:

- What qualifies as workers' compensation
- How to report injuries
- What benefits are paid to injured workers and how they are paid
- How workers' compensation affects other worker benefits
- Supervisor and employee responsibilities
- Recordkeeping procedures
- Links to applicable forms

Target date for completion: August 20, 2004

Follow-up contact: Carla Espinoza

Observation 2: Procedural Documentation

According to the State Comptroller's Office Workers' Compensation Form P-28, the following option is available to employees, "Supplement my Workers' Compensation Benefits with my accrued...sick leave, [or] vacation leave, [or] compensatory time [or] use only Workers' Compensation Benefits."

Detailed instructions for calculating the payments to ISU employees who are supplementing their workers' compensation with sick or vacation leave have not been documented. Written documentation of processes and procedures helps ensure consistent and accurate operations and facilitates continuity when employee turnover occurs. The documentation process itself may also help to develop and clarify processes and procedures.

Management's Action Plan

We will expand existing documentation to include the workers' compensation supplementation calculations and process. We will also assess other documented processes and procedures relevant to workers' compensation to determine their adequacy, and revise documentation as needed.

Target date for completion: July 30, 2004

Follow-up contact: Carla Espinoza