

SEWERAGE & WATER BOARD OF NEW ORLEANS

AUDIT COMMITTEE MEETING TUESDAY, FEBRUARY 11, 2020 10:00 AM

6 2 5 S T . J O S E P H S T R E E T
2 ^{N D} F L O O R B O A R D R O O M

Dr. Tamika Duplessis, Chair • Robin Barnes
Joseph Peychaud • Maurice Sholas • Alejandra Guzman

FINAL AGENDA

1. **ROLL CALL**
2. **ACTION ITEMS**
 - a. R-032-2020: Approval of Updated Internal Audit Memorandum NO. 35
 - b. R-033-2020: Approval of Updated Internal Audit Charter
3. **PRESENTATION ITEMS**
 - c. Internal Performance Audit: SWBNO Workers' Compensation
4. **INFORMATION ITEMS**
 - d. Workers' Compensation Follow-up Report
5. **EXECUTIVE SESSION**
6. **PUBLIC COMMENT**
7. **ADJOURNMENT**

APPROVAL OF UPDATED INTERNAL AUDIT POLICY MEMORANDUM NO. 35

WHEREAS, the Sewerage & Water Board of New Orleans Internal Audit Policy Memorandum No. 35 establishes the supervision, responsibilities, and procedures for the Internal Audit department.

WHEREAS, the Chief Audit Executive is responsible to the Audit Committee directly via Executive Management.

WHEREAS, the Internal Audit department is responsible to ensure to the Sewerage & Water Board's Audit Committee that departments within the Board are reviewed at appropriate intervals to determine whether they are operating effectively and efficiently.

WHEREAS, the Internal Audit department will follow required audit procedures during the performance of an audit or examination.

NOW, THEREFORE, BE IT RESOLVED that the Audit Committee for the Sewerage & Water Board of New Orleans approves of the revised Internal Audit Policy Memorandum No. 35.

I, Ghassan Korban, Executive Director,
Sewerage and Water Board of New Orleans
do hereby certify that the above and foregoing is
a true and correct copy of a Resolution said
Board, duly called and held, according to the Law,
FEBRUARY 11, 2020

GHASSAN KORBAN
EXECUTIVE DIRECTOR
SEWERAGE & WATER BOARD OF NEW ORLEANS



SEWERAGE & WATER BOARD OF NEW ORLEANS

Inter- Office Memorandum

POLICY MEMORANDUM
NO. 35
REVISED January 31,
2020

DATE: February , 2020

FROM:

TO: ALL DIVISIONS, DEPARTMENTS AND BOARD

RE: INTERNAL AUDIT POLICY

I. PURPOSE

This memorandum is to establish the supervision, responsibilities, and procedures of the Internal Audit Department in support of the Internal Audit Charter.

II. SUPERVISION

The Chief Audit Executive is responsible to the Audit Committee directly via Executive Management. Administrative control is invested in the Executive Director and Chief Financial Officer for daily supervision. Operational control is invested in the Audit Committee for approval of work planning and work evaluation.

III. RESPONSIBILITIES

A. The Internal Audit Department is responsible to ensure to the Sewerage & Water Board's Audit Committee that:

1. Departments within the Board are reviewed at appropriate intervals to determine whether they are effectively, efficiently and consistently carrying out their function of planning, accounting, directing and controlling, in accordance with management policies and instruction, and legislative authority by:
 - a. Auditing or examining at appropriate intervals the department and divisions of the Sewerage & Water Board.
 - b. Evaluating the information gathered and documented to form appropriate findings, opinions, and recommendations.
 - c. Reporting to management the findings, opinions, and recommendations of an audit or examination so that appropriate action can be taken.
 - d. Providing consultation in the implementation of recommendations proposed as a result of an audit or examination.
2. Recommendations, plans and actions from audit findings are discussed and evaluated for satisfaction both prior to and after disposition is taken; and where applicable to see that further discussions are held to achieve satisfactory disposition.
3. The Chief Audit Executive shall make an annual report to the Audit Committee setting forth the accomplishments of the prior calendar year, and the plans and goals for the coming year. Special reports to the Audit Committee may also be required from time to time.

B. In order for the Internal Audit Department to perform its functions, Management of the Sewerage & Water Board is responsible for the following:

1. Providing full, free and unrestricted access to Sewerage & Water Board's records, property and personnel, subject to the limitations mandated by policy 57.
2. Insuring full cooperation of personnel during the course of an audit or examination.

IV. PROCEDURES

The following represents a summary of the procedures the Internal Audit Department will follow during the performance of an audit or examination. The exceptions to these procedures are in the cases of a surprise and/or special audit in which fraud, theft or misappropriations are suspected. When such situations occur, the flow of information will be at the discretion of the Chief Audit Executive.

A. Pre- Audit Procedures

1. The Internal Audit Department will notify in writing the Division Head, Department Head and Supervisor to be audited or examined as to the time, date, and location of the Pre-Audit Conference. The Internal Audit Department will also request certain specific items including but not limited to:
 - a. Procedural Manuals
 - b. A list of documents produced, used, or maintained by the auditee.

- c. A list of reports produced by or used by the auditee.
 - d. A list of personnel by classification and assignment employed.
 - e. Copies of the Financial Statements where applicable.
 - f. A list of the Journals and Ledgers being maintained.
 - g. Copies of office procedures not located in the procedural manuals.
2. At the Pre-Audit Conference, those in attendance will discuss general information. The Internal Audit Department will give a tentative date for the beginning of field work.
 3. Immediately after the Pre-Audit Conference, the auditors will conduct an internal control questionnaire with the audited supervisor. The auditors will use the internal control questionnaire along with other information gathered to determine the amount of testing of documentation.

B. Audit Procedures

1. The internal Audit Department will conduct audits or examinations to determine effectiveness, efficiency, uniformity and accuracy and internal controls. The Internal Audit Department will also determine if the audited entity is adhering to policies and procedures established by management, generally accepted accounting principles, and/or legislative authority.
2. In order to accomplish the above cited tasks, the Internal Audit Department must examine, verify and analyze the source and secondary documents and interview and observe employees.
3. An interim report will be issued to communicate information that requires immediate attention, changes in the audit scope and to keep management informed of audit progress during a lengthy audit. The interim report will not diminish or eliminate the need for a final report.
 - a. Disclosure and corrective actions must be discussed with the auditee during an interim conference. The auditee's written response including corrective action must be submitted to Internal Audit within seven working days.
 - b. If the internal auditor and the auditee are in disagreement, the written response from the auditee must delineate why they disagree within seven working days.

- c. During the internal review process, the Chief Audit Executive will review those critical findings and the auditee's response in detail for objectivity and cause. Only those findings that are not substantiated will be deleted from the report. Otherwise all findings will be cited and the auditee's response attached.

C. Post Audit Procedures

1. Upon completion of the audit, the auditors will conduct an exit conference. Notice of the exit conference and a draft audit report will be distributed to the individuals outlined in Section IV. A. 1.
2. At the exit conference, the findings and recommendations will be discussed.
3. Written response from the auditee must be made to the Audit Department within seven (7) working days from the exit conference. All responses will be attached to the final report.

Within ten working days of the response period, the final report will be issued by the Chief Audit Executive. If a second draft copy is necessary, all persons that responded to the original draft copy will be notified.

4. All final reports must be approved by the Chief Audit Executive. All final reports are addressed to the Executive Director, Chief Financial Officer, and the Audit Committee. The Internal Audit Department will distribute copies of the final report to the audited supervisor and to management in the Chain of Command above the supervisor.

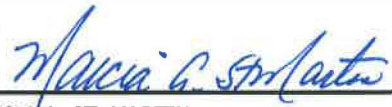
D. Corrective Action

1. Within thirty working days of the issuance of the final report, the Deputy Director or General Superintendent will take corrective action and submit a follow-up report to the Executive Director. The Internal Audit Department should receive a copy of the follow-up report. This report will include but not be limited to:
 - a. A clear and concise explanation of what corrective actions are planned and implemented.
 - b. If no corrective actions have been taken and nor are scheduled to be taken, a clear and concise explanation of this decision must be given.
 - c. Internal Audit, at the discretion of the Chief Audit Executive, may conduct a review of the effectiveness of corrective actions taken. A report of this review will be delivered to the Executive Director, Chief Financial Officer, and the Audit Committee.

2. The Internal Audit Department will evaluate the follow-up report.
This evaluation marks the end of the Auditing Process.

V. INQUIRIES

Any questions concerning the intent of this memorandum may be addressed to the Chief Audit Executive.

X 

MARCIA A. ST. MARTIN
EXECUTIVE DIRECTOR

APPROVAL OF UPDATED INTERNAL AUDIT CHARTER

WHEREAS, the Sewerage & Water Board of New Orleans Internal Audit department operates pursuant to a charter, as is required by the International Standards for the Professional Practices of Internal Auditing; and

WHEREAS, the Internal Audit Charter is established to define the roles and responsibilities of the Chief Audit Executive and the Internal Audit department staff; and

WHEREAS, upon adoption, the Internal Audit Charter authorizes the Internal Audit department and its staff to fulfill its mission with full support of the Audit Committee; and

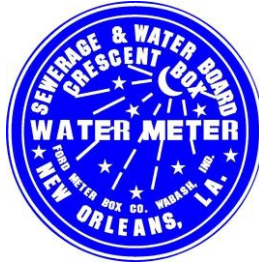
WHEREAS, the key elements of the charter will allow the Internal Audit department to fulfill its mission to:

- Provide an independent, objective assurance and consulting services designed to add value and improve the organization's operations.
- Evaluate and improve the effectiveness of risk management, internal control, and governance processes

NOW, THEREFORE, BE IT RESOLVED that the Audit Committee for the Sewerage & Water Board of New Orleans approves of the Internal Audit Charter.

I, Ghassan Korban, Executive Director,
Sewerage and Water Board of New Orleans
do hereby certify that the above and foregoing is
a true and correct copy of a Resolution said
Board, duly called and held, according to the Law,
FEBRUARY 11, 2020

GHASSAN KORBAN
EXECUTIVE DIRECTOR
SEWERAGE & WATER BOARD OF NEW ORLEANS



Sewerage & Water Board of New Orleans

Internal Audit Charter

2020

Policy

It is the policy of the Sewerage & Water Board of New Orleans to support Internal Audit as an independent, objective assurance and consulting process, which examines and evaluates S&WB activities as a service to S&WB Management and the Board of Directors.

Mission and Scope

The mission of the Internal Audit Department is to provide independent, objective assurance and consulting services designed to add value and improve the organization's operations. It helps the organization accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control, and governance processes.

The scope of work of the Internal Audit Department is to determine whether the organization's network of risk management, control, and governance processes, as designed and represented by management, is adequate and functioning in a manner to reasonably ensure:

- Risks are appropriately identified and managed
- Interaction with the various governance groups occurs as needed
- Significant financial, managerial, and operating information is accurate, reliable, and timely
- Employees' actions are in compliance with policies, standards, procedures, and applicable laws and regulations
- Resources are economically acquired, efficiently used, and adequately protected.
- Programs, plans, and objectives are achieved.
- Quality and continuous improvement are fostered in the organization's control processes.
- Significant legislative or regulatory issues impacting the organization are recognized and addressed appropriately.

Opportunities for improving management control, profitability, and the organization's image may be identified during audits. They will be communicated to the appropriate level of management.

Objectives

The objectives for the Internal Audit Department are to:

- Monitor and evaluate internal controls; investigate actual potential lapses of control; and, make recommendations for improvement.
- Provide external audit support; coordinate annual audit, audit testing and audit findings; assist in preparing audit reports and letters of recommendations; and, communicate issues in a timely manner.
- Provide management advisory services during the planning, design, development, implementation, and post-implementation phases of significant computer-based systems to ensure adequate controls are designed and implemented in the system, system documentation is complete and accurate, the system is thoroughly tested before implementation, and the projected benefits are realized as a result of the system development activities.
- Perform business system risk assessments; anticipate, identify and assess risks to Board assets and activities; assess response to risk; determine efficiency and effectiveness of policies, procedures and internal controls in achieving objectives.
- Perform reviews of contractual agreements signed by the Board to ensure propriety of payments and compliance with significant contract provisions. Review the books and records of contractors, where appropriate, to validate charges and identify potential overpayments.
- Provide management advisory services and perform audits and reviews as requested by members of Board of Directors.

Accountability

The Internal Chief Audit Executive, in the discharge of his/her duties, shall be accountable to the Audit Committee and Executive Management to:

- Periodically provide an assessment on the adequacy and effectiveness of the organization's processes for controlling its activities and managing its risks in the areas set forth under the mission and scope of work.
- Report significant issues related to the processes for controlling the activities of the organization and its affiliates, including potential improvements to those processes, and provide information concerning the progress of actions to resolve the issues.
- Periodically provide information on the status and results of the annual audit plan and the sufficiency of department resources.
- Coordinate with and provide oversight of other control and monitoring functions (risk management, compliance, security, legal, ethics, environmental, external audit).

Independence

To provide for the independence of the Internal Audit Department, the Chief Audit Executive will report administratively to the Executive Management and operationally to the Audit Committee. When applicable, Internal Audit will include as a part of its reports to the Audit Committee a regular report on Internal Audit personnel.

Responsibility

Internal Audit

The Chief Audit Executive and the staff of the Internal Audit Department have responsibility to:

- Develop a flexible audit plan using an appropriate risk-based methodology, including any risks or control concerns identified by management, and submit that plan to the Audit Committee for review and approval as well as periodic updates.
- Implement the annual audit plan, as approved, including as appropriate any special tasks or projects requested by management and the Audit Committee.
- Maintain a professional audit staff with sufficient knowledge, skills, experience, and professional certifications to meet the requirements of this Charter.
- Evaluate and assess significant merging/consolidating functions and new or changing services, processes, operations, and control processes coincident with their development, implementation, and/or expansion.
- Issue periodic reports to the Audit Committee and management summarizing results of audit activities.
- Submit a periodic internal control system evaluation, to include recommendations resulting from business system audits, for the Audit Committee's review.
- Keep the Audit Committee informed of emerging trends and successful practices in Internal Auditing.
- Provide a list of significant Internal Audit measurement goals and results to the Audit Committee. The list will include audit plan accomplishments and needed revisions.
- Assist in the investigation of significant suspected fraudulent activities within the organization and notify management and the Audit Committee of the results.
- Consider the scope of work of the external auditor and regulators, as appropriate, for the purpose providing optimal audit coverage to the organization at a reasonable overall cost.
- Inform the Audit Committee and management in the event of significant business risk exposure in an appropriate and timely manner.
- Maintain confidentiality in all matters as appropriate.

Management

Management, defined as the Executive Director, the Chief Financial Officer, the General Superintendent, the Special Counsel and the Deputy Director, are responsible for:

- Ensuring full cooperation with Internal Audit under the guidelines of this Charter.
- Developing and implementing action plans that address risks identified from audits or reviews. These action plans may include compliance with or implementation of appropriate controls that mitigate risk, risk acceptance, or risk transfer.
- Communicating action plans, in writing, which includes a timeline for completion.

Audit Committee

The Audit Committee of the Sewerage & Water Board shall:

- Support this Charter
- Ensure the right of direct access by the Chief Audit Executive to the Audit Committee
- Conduct an annual meeting with the Chief Audit Executive to review the annual audit plan and internal control evaluation and to discuss other matters deemed appropriate.

Authority

The Chief Audit Executive and the staff of the Internal Audit Department are authorized to:

- Have full, complete, and unrestricted access to all functions, records, property, and personnel
- Have full and free access to the Audit Committee
- Allocate resources, set frequencies, select subjects, determine scopes of work, and apply the techniques required to accomplish audit objectives.
- Obtain the necessary assistance of personnel in units of the organization where they perform audits, as well as other specialized services from within or outside the organization.
- Internal Audit may assist, recommend investigation, and follow-up to determine that appropriate controls are implemented as necessary when fraud or irregularities are known or suspected. Internal Audit will inform the Audit Committee and management as appropriate.
- Chief Audit Executive will serve as Emergency Management Liaison to the City of New Orleans OEPHS during declared emergency

The Chief Audit Executive and the staff of the Internal Audit Department are not authorized to:

- Perform any operational duties for the organization or its affiliates.
- Initiate or approve accounting transactions external to the Internal Audit Department
- Direct the activities of any organization employee not employed by the Internal Audit department, except to the extent such employees have been appropriately assigned to audit teams or to otherwise assist the Internal Auditors.

Standards of the Audit Practice

The Internal Audit Department will meet or exceed the International Standards for the Professional Practice of Internal Auditing and Code of Ethics of The Institute of Internal Auditors.

Andrew G. Nash
Interim Chief Audit Executive

Yvette Downs
Chief Financial Officer, Sewerage & Water Board of New Orleans

Ghassan Korban
Executive Director, Sewerage & Water Board of New Orleans



Performance Audit:

SWBNO Workers' Compensation

Department: Risk Management-Worker's Compensation

The following report entails a detailed review of the Sewerage and Water Board of New Orleans (SWBNO) Workers' Compensation Claims Process conducted by the Internal Audit Department.

Sewerage & Water Board of New Orleans
Internal Audit Department



**Performance Audit Service:
SWBNO Workers' Compensation Department**

A Performance Evaluation of the Workers' Compensation Department

Department: Risk Management

The following report entails a detailed review of the Sewerage and Water Board of New Orleans (SWBNO) Workers' Compensation Claims Department.

Auditor: Chante' Bivens



SEWERAGE AND WATER BOARD

Inter-Office Memorandum

Date: January 23, 2020
To: SWBNO Executive Leadership
Copies to: Dr. Tameka Duplessis, Audit Committee Chairwoman
From: Chante' Bivens, Senior Internal Auditor
Subject: Worker's Compensation Audit

The Internal Audit department has conducted an audit of the SWBNO's Worker's Compensation department. The objective of this performance audit was to concentrate on the strategies, operations, and performance of the Workers' Compensation function. Chante' Bivens has completed this review.

The response to the auditor's conclusions, issues, and recommendations is attached to this report. The auditor wishes to thank the employees of the Workers' Compensation department for their assistance and cooperation during the review.

Sincerely,

Chante' Bivens, Senior Internal Auditor
Internal Audit Department

Workers' Compensation Claims Review Process Analysis Report

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Executive Summary

The SWBNO Internal Audit department conducted an annual performance audit of Risk Management's Workers' Compensation Claims function. The audit was in accordance with the 2018 audit plan presented to the Audit Committee.

A performance audit is an objective analysis of sufficient, appropriate evidence to independently assess the performance of an organization, program, activity, or function. Performance audits provide assurance or conclusions to help management reduce costs, facilitate decision-making, and improve services in order to achieve the highest level of excellence in the performance of the Board's operations. Performance audits encompass a wide variety of objectives, including those related to assessing program effectiveness and results; economy and efficiency; internal controls; compliance with legal or other requirements; and prospective analyses.¹

The purpose of the audit was based upon the internal audit plan approved by the SWNBO audit committee. The Internal Audit department wants to ensure that the department workers' compensation function is managed fairly, efficiently, and effectively in order to minimize the risk of loss. We evaluated the effectiveness of the workers' compensation indemnity claims process, internal controls, and exposure to inherent risk.

It was noted that recent departmental management changes were orchestrated providing significant improvements to the Workers' Compensation Claims function.

The Internal Audit department would like to thank management and staff of the Risk Management division, Workers' Compensation department, and Information Technology department for their time, information, insight, and cooperation during the audit. The recommendations in this audit, if adopted, should further assist with the improvement of processes, internal controls, and reduction of risk exposure.

¹ Comptroller General of the United States, *Government Auditing Standards*, Washington, DC: U.S. Government Accountability Office, 2018, p 10-11.

Introduction

SWBNO is a political subdivision created in 1899 by Louisiana State Statute Act No. 6. The Board is independent of City government to construct, operate, and maintain the water, sewerage and drainage systems in the City of New Orleans. The SWBNO Board of Directors include eleven members, including the Mayor to serve as the President of the Board of Directors, two (2) members of the Board of Liquidation, City Debt and eight (8) citizens, as designated by the state statutes.

The SWBNO established a mission to improve the quality of life for the citizens of the City of New Orleans by providing safe drinking water; removing wastewater for safe return to the environment; and draining storm water to protect the community at a reasonable cost.

During the beginning and ending of the audit, SWBNO experienced high turnover in executive leadership (See Exhibit 1 below). Interim Executive Director #1 was appointed in January 8, 2018 and held that position during the audit until May 22, 2018. Interim Executive Director #2 was appointed May 24, 2018 and submitted her resignation effective August 21, 2018. Interim Director # 3 was appointed August 21, 2018 and reappointed to Deputy Director September 2, 2018. A permanent Executive Director assumed office on September 3, 2018. Additionally, three (3) Deputy Directors were appointed in December of 2016 and later on submitted their resignations in August 2018.

Exhibit 1 SWBNO Executive Leadership Position During the Beginning and Ending the Audit

SWBNO Employee	Period of Service at SWBNO	Summary of Service
Executive Director # 1	Jan 2018 - May 2018	<ul style="list-style-type: none">Served as Interim Executive Director during this time.
Executive Director # 2	May 2018 - August 2018	<ul style="list-style-type: none">Served as Interim Executive Director during this time.
Executive Director # 3	August 2018 - September 2018 September 2018 – Present	<ul style="list-style-type: none">Served as Interim Executive Director during this time.Reappointed to Deputy Director.
Executive Director # 4	September 2018 – Present	<ul style="list-style-type: none">Serves as Permanent Director.
Deputy Director # 1	December 2016 - August 2018	<ul style="list-style-type: none">Served as Deputy Director during this time.
Deputy Director # 2	December 2016 - August 2018	<ul style="list-style-type: none">Served as Deputy Director during this time.
Deputy Director # 3	December 2016 - August 2018	<ul style="list-style-type: none">Served as Deputy Director during this time.

Source: SWBNO Human Resources data base

Background

The Louisiana Workers' Compensation Law (Louisiana Revised Statutes, Title 23) governs workers' compensation, which is a form of insurance that pays medical benefits and lost wages for employees injured on the job for the employees' agreement not to sue the employer. The SWBNO Workers' Compensation unit, part of the Risk Management department, administers the workers' compensation program in-house.

The Louisiana State Office of Workers' Compensation Administration (OWCA) was created in 1983 within the Louisiana Department of Labor (now the Louisiana Workforce Commission) to administer the provisions of the Louisiana Workers' Compensation Act. The OWCA investigates allegations of fraud; monitors compliance with the requirement that employers insure their workers' compensation obligation; compiles information regarding workers' compensation claims; resolves disputes over the necessity, advisability, and cost of hospital care or services, as well as conflicts concerning medical, surgical and non-medical treatment; provides Occupational Safety & Health Administration (OSHA) consultation services; and assists Louisiana employers in the development and implementation of a safety management plan in their workplace. The OWCA, however, does not pay any benefits to employees as a result of a covered on the job injury.²

State Law Mandates Workers' Compensation Benefits

State law requires most public and private employers to cover medical expenses and lost wages regardless of the number of employees who sustain work-related injuries.³ Every employer subject to the Louisiana Workers' Compensation Act must obtain and maintain full insurance to compensate injured employees who qualify for benefits.⁴ An employer may be self-insured if it can demonstrate to the State Board of Worker's Compensation that it is financially able to pay its workers' compensation liability and associated expenses. An annual audit of an employer's worker's compensation may be conducted by the audit unit of the Louisiana Workers' Compensation Finance and Audit unit to ensure financial compliance.

² Louisiana Workforce Commission, *Rights & Responsibilities for Employees & Employers*, Louisiana State Office of Workers' Compensation Administration, 2018, p 1-7.

³ La. R.S. 23:1020.1

⁴ La. R.S. 23:1168

State law requires employers to pay for medical, surgical, and hospital care; prescriptions and other treatment; and items and services that are prescribed by a licensed physician. There is no cap on the amount of medical benefits paid or limit on the length of time that an injured employee can receive medical benefits for existing claims as long the treatment is found to be reasonable and related to the work accident or illness.⁵

State law also provides for partial wage replacement regardless of the type of injury, summarized in Exhibit 2. If an injury leaves an employee unable to earn wages equal to 90 percent of his/her wages at the time of injury, he/she is entitled to supplemental earning benefits equal to 66 2/3 percent of the difference between his/she average monthly wages at the time of the injury and current average monthly wages. Workers' compensation wage replacement benefits range from \$177 to \$665 per week for no longer than 520 weeks and are capped at a maximum of two-thirds of the employee's average salary for non-catastrophic injuries. For catastrophic injuries, an employee may be entitled to a one time catastrophic injury payment of \$50,000. If an employee dies, the beneficiary may recover the maximum of \$8,500.⁶

Exhibit 2 Louisiana Workers' Compensation Wage Benefits

Injury Status	Definition	Benefit Calculation	Amount/Duration from Date of Injury
Temporary Total Disability	Employee is unable to work for a temporary time period.	66 and two-thirds percent of wages	Minimum of \$177 and maximum of \$ \$665 per week for up to 520 weeks.
Permanent Partial Disability	Employee is partially able to work but in a difference job capacity for a permanent period of time	66 and two-thirds percent of wages	Minimum of \$177 and maximum of \$ \$665 per week for up to 100 weeks.
Permanent Total Disability	Employee is permanently unable to work in any capacity.	66 and two-thirds percent of wages	Minimum of \$177 and maximum of \$ \$665; no time limit
Death Benefits	Death resulting from injury	66 and two-thirds percent of wages and \$8,500 funeral costs	Total benefit amount available to all dependents is 65% of wages at time of accident. 32.5% of wages for one dependent; 46.25% of wages for 2 dependents; 65% of wages for 3 or more dependents.

Source: LA Rev Stat § 23:1221; 1231

State law requires an employee who is injured on the job to report the incident to his or her supervisor immediately, or as soon as possible, but

⁵ Denis Paul Juge and Clark R. Cosse III , *2017 Workers' Compensation Desk Book*, (Louisiana, Baton Rouge, 2017), p I-92.

⁶ La. R.S. 23:1221

no later than 30 days, or risk losing benefits. SWBNO Internal Policy Memorandum No. 11 pertaining to workers' compensation procedure states that once a claim is filed, the employee must adhere to drug/alcohol testing as required by state law.⁷ The employee must be accompanied by a supervisor or another supervisor if need be. Additionally, if any SWBNO employee fails to report any work-related accident or injury, his/her supervisor will promptly examine the circumstances and determine whether the delay was valid. If the supervisor determines the employee did not have a valid reason for failing to immediately report the accident he/she will receive a minimum, thirty (30) day suspension, with more severe disciplinary action possible.⁸

SWBNO Handling of Worker's Compensation Claims

The SWBNO Risk Manager along with workers' compensation departmental staff handles all claims in-house. Their duties include:

- determining compensability whether an employee has a workers' compensation claim that is covered under state law
- processing claims, managing investigations, and controlling losses
- maintaining all workers' compensation claims and supporting documentation in a database
- ensuring that quality healthcare is provided to injured employees

SWBNO's Process to Determine Work-Related Injury Benefits

Any SWBNO employee injured on the job reports the incident to his or her supervisor and the supervisor documents the injury report on the Louisiana state Worker's Compensation form "Employer's Report of Occupational Injury or Disease".⁹ Additional documents initially completed are:

- First Report of Injury or Illness (Incident Questionnaire)
- Vehicular Accident Investigation form (if needed)
- Non-Vehicular Accident Investigation Form
- Witness Statement

The employee also completes a treatment authorization form if medical treatment is needed and is treated by a SWBNO referred physician or a physician selected by the employee. According to the Workers' Compensation Unit Standard Operating Procedure handbook, Worker's Compensation departmental staff reviews the claim and determines whether he/she is eligible for workers' compensation within 7 days. To be Workers' Compensation compensable, the

⁷ La. R.S. 23:1081.6

⁸ SWBNO Policy Memorandum 11

⁹ See Appendix A

injury must have occurred on-the-job, as part of the employee's duties, and not as the result of willful misconduct. If the claim is compensable, SWBNO covers all indemnity benefits including medical travel, expenses and compensable wages. When the employee sees the medical provider, the physician determines the employee's diagnosis and treatment and documents any work limitations or restrictions. The physician provides the documentation to the SWBNO Risk Manager and staff. The physician report notes whether the employee is able to return to full duty; is able to work in a modified duty position; or is unable to return to work.

Louisiana Workers' Compensation Subrogation Law Overview

In Louisiana, when an employee is injured in a work-related accident under such circumstances where a third-party (not a co-employee or the employer of the employee) caused the employee's injuries or aggravated the employee's existing work-related injury, the employee is entitled to Louisiana Workers' Compensation benefits from SWBNO and can also file a tort suit against the third party for the same injuries. SWBNO, who is obligated to pay workers' compensation benefits to its employee due to a third party's fault is also entitled to bring a tort suit against the third party to recover amounts it has paid, or becomes obligated to pay, to the employee. These tort suits are heard in the judicial district courts in Louisiana, not in the workers' compensation courts. The workers' compensation courts are limited in jurisdiction and, for subrogation purposes, can only hear disputes regarding the amount of credit SWBNO are entitled against the employee's future workers' compensation benefits.¹⁰

Louisiana Workers' Compensation Second Injury Fund

The Louisiana Second Injury Fund is a state agency which reimburses employers and Louisiana Workers Compensation companies for part of the income and medical benefits they pay in cases where an employee who had a pre-existing disability experiences a new on-the-job injury that is covered by Louisiana Workers Compensation. Every Louisiana Workers Compensation insurance company, and every self-insured employer, who has paid Louisiana Workers Compensation benefits in the preceding year must make contributions to the Louisiana Second Injury Fund.

¹⁰ La. R.S. 23:1101

For a self-insured employer or Louisiana Workers Compensation insurance company to receive reimbursement from the Louisiana Second Injury Fund, a claim must meet at least the following requirements:

- The employee must have a pre-existing permanent partial disability as listed and defined by R.S.23:1378(F) that is an obstacle or hindrance in obtaining employment.
- The employer must establish that they had actual knowledge of the employee's pre-existing permanent partial disability prior to the subsequent injury.
- The employee must sustain a subsequent (occupational) injury that results in liability for workers' compensation.
- The subsequent injury would not have occurred but for the pre-existing permanent partial disability.
- The disability is greater than would have resulted had the pre-existing permanent disability not been present, and the employer had been required to pay compensation for the greater disability.
- The employer, or if insured, insurer, must file a Notice of Claim form within 52 weeks after the first payment of any benefit (indemnity or medical) by mailing, faxing or emailing the form to the state's Second Injury Board.

Exhibit 3 Second Injury Fund Recoverable Benefits

Timeframe	Indemnity Benefit Cost	Medical Benefit Recoverable Cost
For dates of accident before July 1, 2004 & on/after July 1, 2009, but before July 1, 2010	TTD/SEB/PTD After the first 104 weeks of payment of benefits Death benefits after the first 175 weeks of payment of benefits	-50% of all reasonable and necessary medical expenses actually paid which exceed \$5,000.00, but no less than \$10,000.00 -100% of all reasonable and necessary medical expenses actually paid which exceed \$10,000.00
On/after July 1, 2004 & before July 1, 2009	After the first 130 weeks of payment of benefits	100% of all reasonable and necessary medical expenses actually paid which exceed \$25,000.00
On/after July 1, 2010 & before July 1, 2015	After the first 104 weeks of indemnity	100% of all reasonable and necessary medical expenses actually paid which exceed \$25,000.00, including reasonable and necessary Vocational Rehabilitation expenses, if such expenses are directly related to services provided in the actual retention or reemployment

Source: Louisiana Workforce Commission

SWBNO Workers' Compensation Financial Compliance State Requirements

The State of Louisiana Department of Labor Worker's Compensation Administration has authorized the SWBNO for self-insured workers' compensation expenses. The SWBNO has been a self-insured employer since March 13, 1991. This requires the SWBNO to have a surety bond or letter of credit issued by a federal or state bank preapproved by the state Office of Workers' Compensation, as assurance that workers' compensation liabilities are paid to employees if the SWBNO becomes insolvent or files for bankruptcy.¹¹ As a self-insurer, SWBNO must file annual statements of financial condition with the Office of Workers' Compensation on or before May 1 of each year.¹² The state's Workers' Compensation finance and audit unit conducts a financial audit annually or every other year depending on deficiencies found to verify that workers' compensation costs reported are classified accurately and in compliance with state guidelines.

¹¹ La. R.S. 23:1291

¹² La. R.S. 23:1168

Audit Objectives

The objectives of this performance audit were to concentrate on the strategies, operations, and performance of the Workers' Compensation function with the following reviews:

- Determine cost and injury trends for the SWBNO workers' compensation program.
- Review compliance with applicable legal, regulatory, and established policies.
- Review workers' compensation program expenditures made by Risk Management.
- Review the efficiency and the effectiveness of departmental practices and operations.
- Evaluate Risk Management oversight and procedures for workers' compensation claims administration (e.g., processing and payment transactions).
- Determine adequacy of internal controls within the department.
- Determine how the Risk Manager mitigates risk through its Safety Program.
- Review department staffing, training opportunities, and certification requirements.

Scope and Methodology

In order to meet its objectives, a review of relevant documentation, testing, and examinations were conducted. We focused on the office of Risk Management's oversight of the workers' compensation program from fiscal year 2015 through fiscal year 2017.

The following methodology was used in completing the audit:

- Interviewed the SWBNO Risk Manager, Accounts Payable personnel, Legal department personnel, and the State of Louisiana Workers' Compensation Finance and Audit unit personnel.
- Reviewed the department's mission statement, organization charts, and standard operation procedures (SOPs).
- Reviewed prior external audits conducted.
- Researched applicable laws state law and provisions governing workers' compensation.
- Identified employees receiving benefits.
- Identified the number, types, and costs of workers' compensation claims filed and analyzed data trends.
- Determined adequate resources needed to operate effectively and efficiently according to best practices.

SWBNO Risk Management-Workers' Compensation Departmental Overview

The Utility Senior Services Manager for the SWBNO Risk Management Department (Felicia Lovince) is responsible for the administrative function of the Risk Management department which consists of General Liability and Workers' Compensation claims. The Risk Management-Worker's Compensation Unit is located at the SWBNO Administration Building 625 Saint Joseph Street, Room 112 in New Orleans. According to the Worker's Compensation unit mission statement, its mission is to administer medical treatment, wage benefits and rehabilitation to injured employees in accordance with the Louisiana Office of Worker's Compensation Workforce Commission Administration Guidelines; coordinate returning injured employees back into gainful employment through educational training and communication.

The Risk Management –Workers' Compensation unit is vital to the SWBNO operations. According to Felicia Lovince (Utility Senior Services Manager/ Risk Manager), the scope of the departmental duties are to manage the workers' compensation function and to provide workers' compensation benefits to eligible SWBNO employees in accordance with Louisiana Worker's Compensation state statute, policies, and procedures approved by SWBNO.

At the time of the audit, the Risk Management departmental personnel consist of the following:

Exhibit 4: SWBNO Workers' Compensation Departmental Staff

Employee	Job Title
Felicia Lovince	Utility Senior Services Manager –Risk Manager
Brian Ferrara	Legal Counsel
Tiandria Lewis	Office Assistant I
Korye Dickerson	Management Development Specialist II
Shirlond August-Smith	Administrative Support Supervisor II

Source: Risk Management Departmental Organizational Chart

According to the departmental organizational chart, there is currently one vacancy in the department which includes a claims investigator.

Risk Manager Departmental Concerns

Risk Manager, Felicia Lovince, revealed during an entrance conference that after 60 days into her tenure of evaluating the current Workers' Compensation departmental's in-house ability to meet industry standards, she found that the department needed improvements and was not in compliance with state and federal regulations. She documented that the department lacked a number of the following standards to aid in cost effective measures that would minimize costs on claims:

- **1002 forms** to aid in "Safe Harbor" which allows the employer to escape from penalties and attorney fees on wage disputes are not being used.
- **1003 forms** to report to the state when employees are taken off wage benefits, returned to gainful employment and/or settled are not being used.
- **Subrogation** efforts do not recover both medical and indemnity cost; currently only medical cost are recovered.
- **Second Injury Fund** investigations are not place to file for recovery of the \$25k threshold for medical recovery potential in medical and to recovery on indemnity after 104 weeks (2 years) of indemnity payment. Once the claim is accepted all money in excess of \$25k is refunded dollar for dollar. The same with indemnity payment after the first 104 weeks. This runs the life of the claim inclusive of any settlement dollar paid on the claim.
- **Supplemental Earning Benefit (SEB)** is not being applied to claims to lower the wage exposure on the claim.
- **The 520 week rule** is no longer being applied to remove employee off the roles.
- **1007 First Report of Injury form** is required to be submitted electronically to the state. The department is currently working with the Workers' Compensation Software programming company to implement.

Additionally, Mrs. Lovince also discovered that the three software programs in place do not fully support the department needs to be efficient and effective and that the department is not fully staffed to address the needs of workers' compensation.

Findings and Analysis

Review of Total Worker's Compensation Claims

The SWBNO currently has 55 total workers' compensation indemnity claims. The SWBNO paid close attention to \$7 million in workers' compensation claims in the years 2015, 2016, and 2017 including wage replacement, medical, rehabilitation, lump sum settlement, and legal costs. There were significant increases in claims for the year 2017. The auditor was unable to compare the SWBNO's workers' compensation costs to other water utilities based on the unavailability of public information. Exhibit 5 displays all workers' compensation costs for fiscal years 2015, 2016, and 2017.

Exhibit 5: Workers' Compensation Costs for Years 2015, 2016, 2017

Fiscal Year	Indemnity Benefits	Total Comprehensive Lump Sum Settlements	Medical Expenses	Rehabilitation Expenses	Legal Costs	Total Costs
2015	562,455.16	84,850.59	742,498.50	70,710.90	-	1,460,515.15
2016	700,414.69	64,670.27	1,063,592.42	86,954.55	-	1,915,631.93
2017	965,082.54	355,811.51	1,880,065.93	215,018.99	23,965.39	3,439,944.36

Source: Louisiana State Office of Workers' Compensation Administration

Patterns in claims data suggest that targeted efforts could reduce work-related injury claims and workers' compensation costs: the majority of claims were filed by employees in three SWBNO departments: Meter Reading, Networks & Maintenance, and In-house Operations (see Exhibit 6).

Exhibit 6 displays the number of workers' compensation claims out of the 55 total claims reported as of October 2018. The Networks department that consists of Zones 1 through 7 had the highest work-related injuries reporting with 28 claims. Meter Reading department had the second highest work-related injuries reporting with 12 claims. The In-house operations department had the third highest work-related injuries with 6 claims.

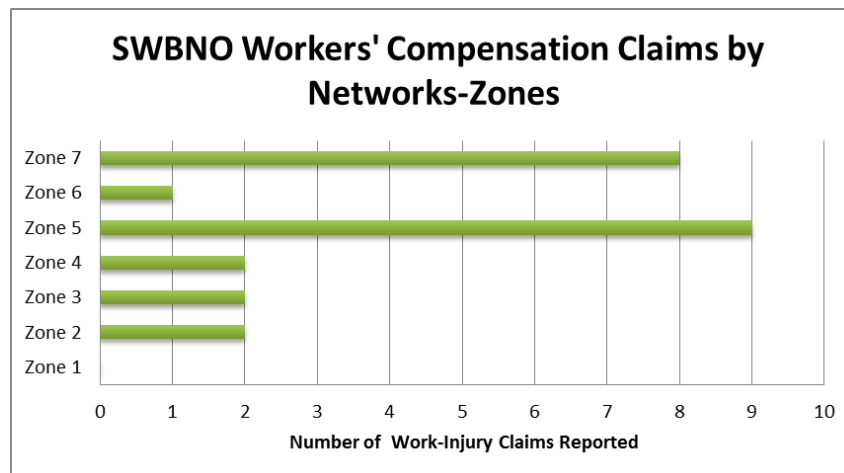
Exhibit 6: Number & Percentage of Claims by Department

Department	Number of Claims	Percent
Meter Reading Department	28	51%
Networks & Maintenance Department	12	22%
In-House Plant Operations	6	11%
Revenue Administration	4	7%
Warehouse & Grounds Department	4	7%
Mechanic Garage	1	2%
Total	55	100%

Source: Workers' Compensation Indemnity Report

A closer examination of the Zones within the Networks department revealed that Zones 5 & 7 had the highest amount of work-related injuries out of all injuries reported for the Networks department. Zone 5 had a total of 9 work-related injuries; Zone 7 had a total of 8 work-related injuries; Zones 2, 3 & 4 had a total number of 2 work-related injuries; Zone 6 had only 1 work-related injury reported. See Exhibit.

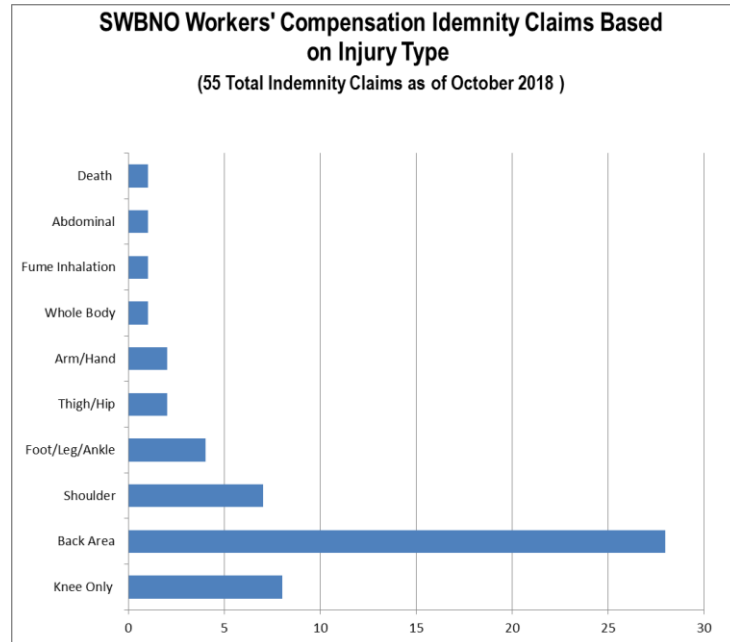
Exhibit 7: Number of Claims by Zones



Source: Workers' Compensation Indemnity Report

Overall, the highest amounts of injuries reported were back, knee, or shoulder injuries. One employee death was reported due to work injuries sustained. Exhibit 8 below outlines the types of work-related injuries reported.

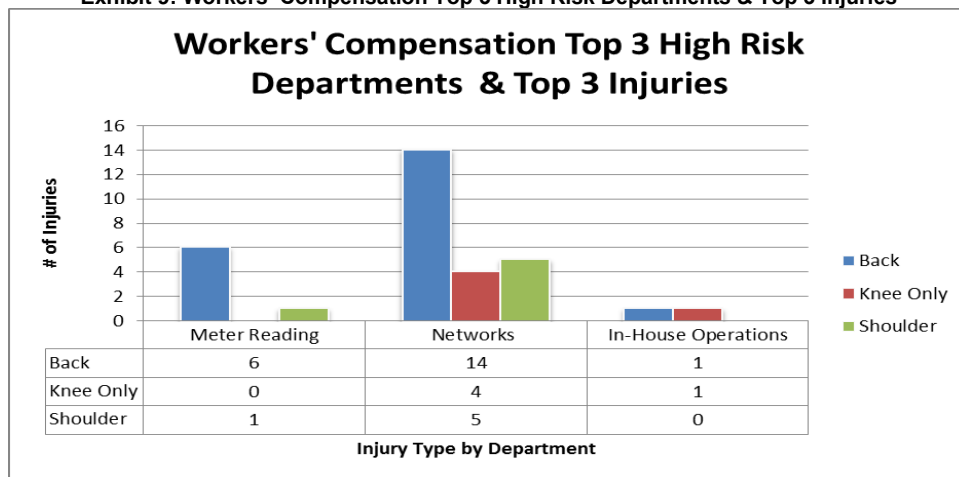
Exhibit 8: Number of types of work-related injuries reported



Source: Workers 'Compensation Idemnity Report

After analyzing the data provided in the Workers' Compensation Idemnity Report, Exhibit 9 was devised to show a graphical depiction of the top 3 high risk departments and top 3 injures reported. It was revealed that the top three high risk departments for injuries are: Networks, Meter Reading, and In-House Operations.

Exhibit 9: Workers' Compensation Top 3 High Risk Departments & Top 3 Injuries



Source: Workers 'Compensation Idemnity Report

Employees within the Networks department include office personnel, laborers and maintenance technicians. Most of these employees conduct strenuous labor duties which include underground pipe repairs, grass cutting, hydrant repairs, etc. Meter Reading department employees include office personnel, water service inspectors, and laborers. Their jobs also entail strenuous labor including but not limited to reading meters while carrying essential equipment which include walking long distances in residential or business areas. Employees within In-House operations include laborers, water purification operators, boiler plant operators, pumping and power operators, steam plant engineers, etc.

Review of Tested Workers' Compensation Claims

The internal audit department randomly selected fifteen (15) out of the fifty-five (55) employee workers' compensation indemnity claim files as of October 2018 for testing. Exhibit 10 provides an overview pertaining to the Workers' Compensation files reviewed.

Exhibit 10: Number & Percentage of Tested Claims by Department

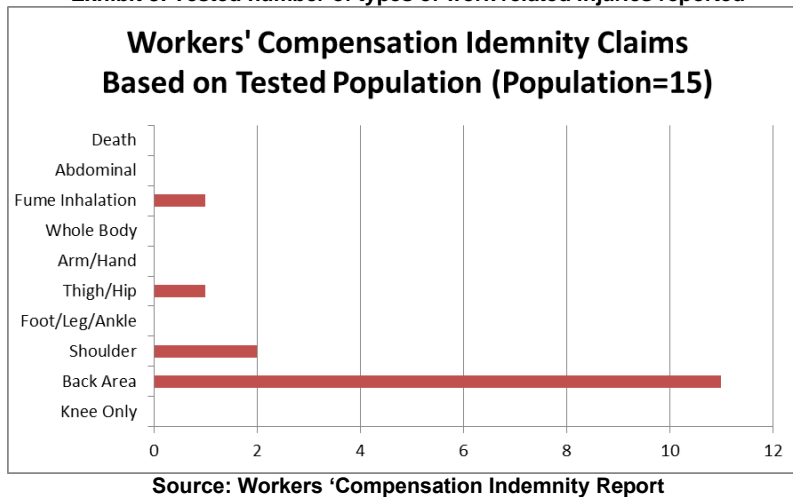
Department	Number of Claims	Percent
Meter Reading Department	4	26%
Networks & Maintenance Department	6	40%
In-House Plant Operations	2	13%
Revenue Administration	1	7%
Warehouse & Grounds Department	1	7%
Mechanic Garage	1	7%
Total	15	100%

Source: Workers' Compensation Indemnity Report

The tested population revealed that 40% of the employee work-related injury claims were from the Networks & Maintenance Department. Additionally, 26% of the claims were from the Meter Reading department, 13% from In-House plant operations, and 7% each from Revenue Administration, Warehouse & Grounds, and the Mechanic Garage.

Additionally, the tested population revealed that 11 back work-related injuries were the highest workers' compensation claims submitted. Also, 2 shoulder injuries, 1 thigh hip injury, and 1 fume inhalation injury were part of the 15 randomly selected claims selected for review. Exhibit 11 illustrates the information provided.

Exhibit 8: Tested number of types of work related injuries reported



Testing also revealed that 1 of the 15 employees from the Networks department filed 7 workers' compensation claims since his/her date of hire, 1 of the 15 employees from the Revenue Administration department filed 6 workers' compensation claims since his/her date of hire, 4 of the 15 employees from the In-house and Networks departments filed 5 workers' compensation claims since his/her date of hire, 2 of the 15 employees from the In-house and Mechanic Garage departments filed 3 workers' compensation claims since his/her date of hire, and the other 7 of the 15 employees from various departments filed only 1 workers' compensation claim since his/her date of hire. These patterns in claims data suggest the SWBNO have opportunities to reduce the number of repeated claims and workers' compensation costs through targeted supervision. The auditor determined there was a need for more comprehensive pre-employment screening to ensure that employees are physically able to perform job duties without injury.

Although most workers' compensation claims were reported within one day of the injury, about 13% were reported after the injury occurred. Delays in either the employee or supervisor reporting could hinder efforts to ensure that the claim is compensable, ensuring that employees undergo a drug-test within 24 hours following a work-related accident as required by SWBNO Internal Policy Memorandum No. 11.

The auditor was unable to determine whether employees returned to work within one day of the injury due to the unavailability of records relating to the tracking of return to work documentation in files. It was determined that tracking of this information can be used as an analysis tool for the Risk Manager.

The Workers' Compensation department has successfully offered modified duty positions to accommodate injured employees who could no longer to return to work in the same job capacity previously held. Often times, these employees are cleared to return to work by their physician with work restrictions.

Review of Tested Workers' Compensation Files

State law requires that all workers' compensation files or databases have all required forms and supporting documentation. While reviewing the 15 randomly selected files, it was noted that a high percentage of the files were missing the following forms and documentation:

- **1002 Notice of Payment**
 - 2 out of 15 files contained the 1002 Notice of Payment form
- **1003 Stop Payment form**
 - 0 out of 15 files contained the 1003 Stop Payment form
- **1007 First Report of Injury form** (Employer's Report of Occupational Injury or Disease)
 - 13 out of 15 files contained the 1007 First Report of Injury form
- **1020 Employee's Monthly Report of Earnings**
 - 9 out of 15 files contained the 1020 Employee's Monthly Report of Earnings form; many of those files were missing several months of the following forms due to failed attempts by phone or mail to contact the employee to submit the form; several months were done at year end and not on a monthly basis as required.
- **1025 Employees' Quarterly Report of Earnings**
 - 3 out of 15 files contained the 1025 Employees' Quarterly Report of Earnings form; many of those files were missing several months and were undated.
- **Incident Questionnaire**
 - 9 out of 15 files contained the Incident Questionnaire form
- **Police Report**
 - All files requiring a police report contained the reports
- **Drug/Alcohol Testing form results**
 - 12 out of 15 files contained the Drug/Alcohol Testing form
- **Vehicular/Non-Vehicular Accident Reports**
 - 7 out of 15 files contained the Vehicular/Non-Vehicular Accident Reports

The auditor discovered that several files were missing updated medical documentation and check registers for claimant indemnity benefits, medical, travel reimbursements, and medical bills. Additionally, 2 out of the 15 files contained nearly any information. During the course of the audit it was noted that the Workers' Compensation would be utilizing Cogsdale software for all claim payments and that would eliminate the need to continue to use the Addition/Deletion form internal control purposes. Several witness statements were missing as well from the files.

Lastly, the auditor recognized the significant improvements to the Workers' Compensation function by the Risk Manager such as efforts to hire qualified staff, improve processes, provide staff training opportunities, the onboarding of legal expertise, and maintaining departmental standard operating procedures.

Recommendations

After conducting the performance audit, the auditor recommends the following:

- The Risk Manager of Worker's Compensation and the Emergency Manager responsible for the SWBNO Safety Program should collectively develop a strategic plan to reduce work-related injury claims.
- The Safety Program should target the following highest three departments with the highest reporting work related injuries to provide employee safety training and adequate safety equipment: Meter Reading, Networks & Maintenance, and In-house Operations.
- The SWBNO currently have only 2 Safety Engineers covering a total of 1,200 employees. It is recommended the SWBNO hire additional Safety Engineers to help mitigate risk.
- The Workers' Compensation departmental staff should develop a tracking mechanism to track and analyze worker's compensation expenses and repeated claims to find measures that will help reduce workers' compensation costs.
- The Workers' Compensation staff should work collectively with SWBNO training unit to coordinate and conduct several training opportunities to educate managers and staff on the Workers' Compensation function, its mission, and how collectively staff can work together to reduce work-related injuries providing the organization cost savings.
- The Risk Manager should work collectively with the Human Resources Director to implement the Second-Injury Fund which would help the SWBNO recover Workers' Compensation expenses.
- All Workers' Compensation files should maintain all necessary forms and documentation electronically.
- The Risk Manager must enforce that all employees receiving indemnity benefits must complete form 1020 and 1025 to continue receiving benefits or risk losing benefits.
- The Risk Manager should work collectively with the Legal department and Executive Management to increase subrogation efforts to recover medical and indemnity expenses from employees who intentionally cause another employee to sustain physical injuries on the job.
- The Risk Manager should work collectively with the Human Resources, Budget, and Finance department to ensure that the Workers'

Compensation unit is staffed properly and enhance training opportunities so that the department can benefit allowing efficient operations.

- The Information Systems staff should work diligently with the Workers' compensation staff to ensure that adequate software is available and functioning properly to enable efficient and effective processes.



SEWERAGE AND WATER BOARD

Inter-Office Memorandum

Date: January 23, 2020

To: SWBNO Executive Leadership

Copies to: Dr. Tameka Duplessis, Audit Committee Chairwoman

From: Chante' Bivens, Senior Internal Auditor

Subject: Worker's Compensation Audit Follow-Up

The Internal Audit Department be conducted a follow-up of the recommendations made following the Workers Compensation Claims audit conducted in January 2019. This audit made eleven audit recommendations. The follow-up audit was conducted on November 11, 2019. The objective and scope of the follow-up audit is to review the implementation status of audit recommendations.

Follow-up is a process by which internal auditors evaluate the adequacy, effectiveness, and timeliness of actions taken by management on reported observations and recommendations, including those made by external auditors and others. The Institute of Internal Auditors (IIA), which sets industry standards the Internal Audit function, Practice Advisory Standard 2500.A1-1 states that the chief audit executive must establish a follow-up process to monitor and ensure that management actions have been effectively implemented or that senior management has accepted the risk of not taking action.

The follow-up audit was not intended to be a detailed. No instances of fraud, waste, or abuse was discovered during the process.

The following are the recommendations that were made with responses:

Recommendation 1: The Risk Manager of Worker's Compensation and the Emergency Manager responsible for the SWBNO Safety Program should collectively develop a strategic plan to reduce work-related injury claims.

Response: The Risk Manager will continue to improve departmental processes to reduce work related injuries.

Follow-Up: The auditor was provided with an incident questionnaire used by staff during the claim intake process. This document is utilized the same day

a claim is filed and sent to the Safety department supervisor for documenting purposes.

Recommendation 2: The Safety Program should target the following highest three departments with the highest reporting work related injuries to provide employee safety training and adequate safety equipment: Meter Reading, Networks & Maintenance, and In-house Operations.

Response: The department currently review reports of areas with the highest reporting work related injuries. Once the new Safety Manager is hired, the reports will be submitted to the Safety department and collaboration efforts will take place to provide ongoing safety training and essential safety equipment.

Follow-up: This recommendation has been implemented. The Risk Manager provided the auditor a monthly tracking report of work-related injuries by department that is provided to the Safety department.

Recommendation 3: The SWBNO currently has only 2 Safety Engineers covering a total of 1,200 employees. The SWBNO should hire additional Safety Engineers to help mitigate risk.

Response: Once the new Safety Manager is hired, the recommendation will be made to the proper individual.

Follow-up: According to staff, the Safety department was experiencing staffing issues at the time of the follow-up. However, a Safety Liaison Program was implemented, consisting of volunteer employees, to identify and report any safety concerns to mitigate risks.

Recommendation 4: The Workers' Compensation departmental staff should develop a tracking mechanism to track and analyze worker's compensation expenses and repeated claims to find measures that will help reduce workers' compensation costs.

Response: The Risk Manager has sought new software for the department and is working with the IT department.

Follow-up: According to the Risk Manager, new software utilized by the department has helped staff efficiently tracked and reduce claims on a monthly basis. The previous departmental budget for claims has decreased from approximately \$450,000 to \$350,000 saving the SWBNO \$100,000.

Recommendation 5: The Workers' Compensation staff should work collectively with SWBNO training unit to coordinate and conduct several training opportunities to educate managers and staff on the Workers' Compensation function, its mission, and how collectively staff can work together to reduce work-related injuries providing the organization cost savings.

Response: The Risk Manager will make efforts to work with the Employee Relations department to determine adequate training opportunities for employees and to educate managers and staff on the Workers' Compensation departmental mission.

Follow-up: According to the Risk Manager, the recommendation has been implemented. Departmental and Board-wide staff receive safety training during new-employee on-boarding orientation and current employees are required to take training courses on an annual basis.

Recommendation 6: The Risk Manager should work collectively with the Human Resources Director to implement the Second-Injury Fund which would help the SWBNO recover Workers' Compensation expenses

Response: The Risk Manager has and will continue making effort to implement the Second-Injury Fund.

Follow-up: The following recommendation has not been implemented. The Risk Manager will collaborate with HR management to discuss the matter.

Recommendation 7: All Workers' Compensation files should maintain all necessary forms and documentation electronically.

Response: The Risk Manager acknowledges and is working to have all forms and documentation available electronically.

Follow-up: According to the Risk Manager, the recommendation has been implemented. All claims are being entered and filed in the IMS Software.

Recommendation 8: The Risk Manager must enforce that all employees receiving indemnity benefits must complete form 1020 and 1025 to continue receiving benefits or risk losing benefits.

Response: The Risk Manager has made efforts to ensure that all employees receiving indemnity benefits complete form 1020 and 1025 to continue receiving benefits or risk losing benefits.

Follow-up: According to the Risk Manager, the recommendation has been implemented. The Office Assistant within the department is responsible for maintaining a spreadsheet of all employees receiving indemnity benefits to ensure that forms 1020 and 1025 are submitted by employees. The Supervisor sends notices to employees whom have not returned the required forms. If no response, benefits are terminated.

Recommendation 9: The Risk Manager should work collectively with the Legal department and Executive Management to increase subrogation efforts to recover medical and indemnity expenses from employees who intentionally cause another employee to sustain physical injuries on the job.

Response: The Risk Manager acknowledges and will meet with the Legal department and Executive Management to increase subrogation efforts.

Follow-up: According to the Risk Manager, the recommendation is still an ongoing effort and has not been fully implemented.

Recommendation 10: The Risk Manager should work collectively with the Human Resources, Budget, and Finance department to ensure that the Workers' Compensation unit is staffed properly and enhance training opportunities so that the department can benefit allowing efficient operations.

Response: The Risk Manager has filled several vacancies within the department and will continue to provide training opportunities to staff.

Follow-up: This recommendation has been implemented.

Recommendation 11: The Information Systems staff should work diligently with the Workers' compensation staff to ensure that adequate software is available and functioning properly to enable efficient and effective processes.

Response: The Risk Manager will continue to work with the IT department to enhance current software being utilized.

Follow-up: This recommendation has been implemented.

We want to thank management and staff for their assistance on this follow-up audit. Their assistance was essential for the successful completion of our work.