



STATE OF NEW YORK
OFFICE OF THE STATE COMPTROLLER

May 13, 2014

Mr. Robert E. Beloten
Chair
Workers' Compensation Board
328 State Street
Schenectady, NY 12305

Re: 2013 Payment Examination Report

Dear Chair Beloten:

This report summarizes the findings and recommendations resulting from our Office's ongoing examination¹ of Workers' Compensation Board (Board) payment requests (payments) to claimants and medical providers from the Board's sole custody funds during the period January 1, 2013 through December 31, 2013. The objective of our examination was to determine whether payments were appropriate in accordance with the New York State Workers' Compensation Law (Law) and New York State's mandated fee schedules.

A. Results of Examination

For the period January 1, 2013 through December 31, 2013, our examination identified and disallowed 279 incorrect payments totaling over \$1.6 million. These payments were approved by the Board and submitted to our Office for approval even though they: (i) were not properly supported, (ii) were not in compliance with mandated fee schedules, (iii) contained computation errors, (iv) were previously approved and paid, and/or (v) contained miscellaneous errors.

We shared a draft report with Board officials for their review and comment. We considered their comments (Attachment A) in preparing this report. The State Comptroller's comment on the Board's response is in Attachment B. Board officials agree with our findings and will continue to ensure all staff understands the importance of processing payment requests in a timely and accurate manner.

¹We performed our examination in accordance with the State Comptroller's authority as set forth in Article V, Section 1 of the State Constitution, as well as Article II, Section 8, and Article VII, Section 111 of the State Finance Law.

B. Background and Methodology

The Board administered four sole custody funds in 2013 – the Uninsured Employers Fund, the Special Fund for Disability Benefits, the Second Injury Fund and the Fund for Reopened Cases. The Board processes all payments from the Uninsured Employers Fund and the Special Fund for Disability Benefits. Payments from the Second Injury Fund are processed by the Special Funds Conservation Committee (SFCC), a private concern established under the Law. Payments from the Fund for Reopened Cases are processed by both the Board (compensation payments) and SFCC (medical payments).

All payments, whether processed by the Board or SFCC, are entered in the Board's automated payment system, where they are subject to various edit and validation checks, approved by the Board for payment, and submitted to our Office for approval.

To accomplish our objective, we selected payments for examination based on risk, using audit modules embedded in the Board's payment system. The audit modules are designed to identify high-risk payments, considering such factors as dollar amount, type of payment, and potential for duplicate payment.

C. Details of Findings

During the examination period, the Board and SFCC processed over 705,000 payments totaling almost \$875 million from the four funds. Of this total, we examined 25,641 payments totaling almost \$224 million. The total number and amount of payments processed by the Board and SFCC and selected for examination are summarized in the following table:

	Board Processed		SFCC Processed		Total	
	Number	Amount	Number	Amount	Number	Amount
Claims Processed	254,837	\$108,176,099	450,355	\$766,811,716	705,192	\$874,987,815
Claims Selected for Review	3,354	\$17,306,441	22,287	\$206,595,039	25,641	\$223,901,480

Our examination identified and disallowed 279 incorrect payments totaling over \$1.6 million that were approved by the Board and submitted to our Office for final approval. The following table summarizes the 279 incorrect payments by category:

	Board Processed Incorrect Payments		SFCC Processed Incorrect Payments		Total Incorrect Payments	
	Number	Amount	Number	Amount	Number	Amount
Unsupported Charges	6	19,075	40	746,474	46	765,549
Noncompliance With Mandated Fee Schedules	68	96,894	88	205,421	156	302,315
Computation Errors	30	51,879	4	4,272	34	56,151
Duplicate Payments	1	4,891	12	22,961	13	27,852
Miscellaneous Errors	21	439,899	9	56,965	30	496,864
Total	126	\$612,638	153	\$1,036,093	279	\$1,648,731

We found the Board does not review payments (on a risk basis or otherwise) processed by SFCC to ensure the payments are appropriate in accordance with the Law and mandated fee schedules. In our previous report (2012 Payment Examination Report covering calendar year 2012), we recommended the Board perform a risk assessment to determine if payments processed by SFCC should be reviewed by Board staff to ensure they comply with the Law and mandated fee schedules. According to Board officials, they are working more closely with SFCC to understand how they complete their work and to understand their systems and controls. However, they have not completed a formal risk analysis of SFCC.

Over the past year the number and value of incorrect payments processed by SFCC that we identified decreased by 20 and 28 percent, respectively. While the decrease may be attributable to the closer working relationship between the Board and SFCC, the Board may be able to further reduce the number and amount of incorrect payments by reviewing certain payments processed by SFCC. Therefore, the Board should consider performing a risk assessment to determine if payments processed by SFCC should be reviewed by Board staff in some manner.

Recommendations

- 1) *Reinforce the importance of accurately processing payments to Board and SFCC staff. If necessary, provide training to staff to ensure payments comply with the Law and mandated fee schedules.*
- 2) *Consider performing a risk assessment to determine if payments processed by SFCC should be reviewed by Board staff to ensure they comply with the Law and mandated fee schedules.*

We thank the management and staff of the Workers' Compensation Board for the courtesies and cooperation extended to our auditors. Since your response to the draft report is in agreement with this report, there is no need for a further response unless you feel otherwise. If you choose to provide a response, we would appreciate it by June 9, 2014.

Sincerely,

Bernard J. McHugh
Director of State Expenditures

Enc: Attachment A
Attachment B

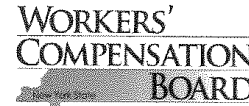
cc: Uluss Thompson
Mary Beth Woods



ANDREW M. CUOMO
GOVERNOR

STATE OF NEW YORK
WORKERS' COMPENSATION BOARD
328 STATE STREET
SCHENECTADY, NY 12305

(866) 750-5157



ROBERT E. BELOTEN
CHAIR

April 28, 2014

Mr. Bernard J. McHugh
Director of State Expenditures
State of New York
Office of the State Comptroller
110 State Street
Albany, NY 12236

Dear Mr. McHugh:

This letter serves as a response to your recent report related to the payments made from five Workers' Compensation Board's (WCB) special funds for the calendar year 2013. As you know, staff from your office maintains a presence of four full time employees at the WCB and reviews payments made from the various special funds related to claims that meet certain criteria. The Special Funds Conservation Committee (SFCC) is a private concern established to safeguard the assets of two of the five funds. For the period under review, roughly 705,000 payment requests totaling \$875 million were processed by the SFCC and WCB.

OSC employees stationed full time at the WCB in calendar year 2013 identified 279 payment requests representing about \$1.65 million that were either not properly supported, did not comply with the mandated fee schedule or were calculated incorrectly. While the WCB recognizes the magnitude of these findings, it is important to note that they represent less than ¼ of 1% of both the total amount paid from the special funds and the total number of payments.

With regard to the specific recommendations made in the audit report, we offer the following:

1. The first recommendation reads "Reinforce the importance of accurately processing payments to Board and SFCC staff. If necessary, provide training to ensure payments comply with the Law and mandated fee schedules." As noted in your report the 2013 findings, both in terms of volume and dollar amount, represent decreases compared to the 2012 findings. We believe this can largely be attributed to the ongoing efforts by both the WCB and SFCC to ensure that staff is appropriately trained and understands the importance of both accurately and timely processing payment requests.
2. The second recommendation reads "Perform a risk assessment to determine if payments processed by SFCC should be reviewed by Board staff to ensure they comply with the Law and mandated fee schedules." Due in part to legislation enacted during the 2013-14 budget cycle, the WCB and SFCC have begun to work more closely together and improve the flow of work

*
Comment
1

between the two entities. As these efforts continue they will begin to address any potential need for review either between or within the two entities. It is also worth noting that due to these efforts, the distinction between "Board Processed" and "SFCC Processed" payments will become less noteworthy.

We appreciate the effort of your staff in reviewing the payments made from the special funds and welcome this opportunity to provide a response to your report. Please let us know if you have any questions or require any further information.

Sincerely,

A handwritten signature in black ink that reads "Robert E. Beloten". The signature is written in a cursive style with a large initial 'R'.

Robert E. Beloten

State Comptroller Comment on Auditee Response

1. Board officials subsequently acknowledged their response should have stated four special funds, not five special funds.