



STATE OF NEW YORK
OFFICE OF THE STATE COMPTROLLER

March 30, 2015

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

Re: 2014 Payment Examination Report

Dear Chair Beloten:

This report summarizes the findings resulting from our Office's ongoing examination¹ of Workers' Compensation Board (Board) payments to claimants and medical providers (claims) from the Board's sole custody funds during the period January 1, 2014 through December 31, 2014. The objective of our examination was to determine whether claims 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 2014 calendar year, our examination identified and disallowed 199 inappropriate claims totaling over \$1.3 million (See Attachment A). These claims were approved by the Board and submitted to our Office for approval even though they: (i) contained accounting errors, (ii) were not properly supported, (iii) were not in compliance with mandated fee schedules, (iv) contained computation errors, (v) were previously approved and paid, and/or (vi) contained miscellaneous errors.

B. Background and Methodology

The Board administered four sole custody funds in 2014 – the Uninsured Employers Fund, the Special Fund for Disability Benefits, the Second Injury Fund, and the Fund for Reopened Cases. While the Board continues to process and approve claims from the Uninsured Employers Fund and the Special Fund for Disability Benefits, the majority of these claims are processed by a third-party administrator, Triad Group, LLC (Triad) under contract C-140311. Claims from the Second Injury Fund are processed by the Special Funds Conservation Committee (SFCC), a private

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.

concern established under the Law. Finally, both the Board and SFCC process claims from the Fund for Reopened Cases (i.e., compensation claims and medical claims, respectively).

Board staff enter payment data for all special funds claims into the Board's automated payment system, where the claims are subjected to various system edits and validation checks, approved, and submitted to our Office for approval prior to payment by the Board. Triad makes payments directly to the claimants then submits the paid claims to the Board for reimbursement. These claims are subjected to the same system edits and validation checks as the claims processed by the Board and SFCC and submitted to our Office for approval. If either the Board or our Office rejects a Triad claim, the reimbursement is denied. Triad is then responsible for recouping the money from the claimants.

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

During the examination period, the Board, SFCC and Triad processed over 644,000 claims totaling over \$857 million from the four funds. Of this, we examined 18,731 claims totaling \$234 million and rejected 199 claims totaling more than \$1.3 million. The rejections totaled about one percent of the claims we reviewed. In our prior report (2013 Payment Examination Report), we recommended the Board reinforce the importance of accurately processing payments. We appreciate the diligence of Board officials in implementing that recommendation and encourage the Board to continue to evaluate opportunities to reduce errors.

We thank the management and staff of the Workers' Compensation Board for the courtesies and cooperation extended to our auditors.

Sincerely,

Bernard J. McHugh
Director of State Expenditures

cc: Mary Beth Woods
Suzanne Aluise

ATTACHMENT A

**WORKERS' COMPENSATION BOARD
DISALLOWED CLAIMS BY ERROR TYPE AND PROCESSING ENTITY
CALENDAR YEAR 2014**

	WCB		SFCC		Triad		Total	
Error Type	Number	Amount	Number	Amount	Number	Amount	Number	Amount
Accounting Errors	16	\$573,611	-	-	-	-	16	\$573,611
Unsupported Charges	13	27,462	15	\$215,779	1	\$1,124	29	244,365
Noncompliance with Mandated Fee Schedules	33	79,253	42	74,962	19	27,133	94	181,348
Miscellaneous Errors	22	145,990	2	12,486	-	-	24	158,476
Duplicate Payments	8	96,794	2	23,963	-	-	10	120,757
Computation Errors	24	71,210	2	2,296	-	-	26	73,506
Total	116	\$994,320	63	\$329,486	20	\$28,257	199	\$1,352,063