



STATE OF NEW YORK
OFFICE OF THE STATE COMPTROLLER

May 9, 2016

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

Re: Report 2015-BSE-3B-001

Dear Chair Beloten:

This report summarizes the results of our Office's examination¹ of (i) Workers' Compensation Board (Board) daily payment requests by claimants and medical providers (claims) from the Board's sole custody funds during the period January 1, 2015 through December 31, 2015, and (ii) claims paid twice by the Board during the period January 1, 2014 through December 31, 2015. The objective of our examinations was to determine whether claims were appropriate and complied with the New York State Workers' Compensation Law (Law) and mandated fee schedules.

A. Results of Examination

As a result of our examination of daily payment requests, we identified and disallowed 206 claims totaling \$1.85 million. Claims were either incorrectly coded (\$916,031) or otherwise inappropriate (\$941,509) (see Attachment A). These claims were approved by the Board and submitted to our Office for approval even though they: (i) were charged to an incorrect accounting code (e.g., compensation claims charged to a medical expense accounting code); (ii) were not properly supported; (iii) were not in compliance with mandated fee schedules; (iv) contained computation errors; (v) were previously approved and paid; or (vi) contained miscellaneous errors. Consistent with our findings from last year, we rejected approximately one percent of the claims reviewed. We appreciate the continued diligence of Board officials to accurately process claims.

Our examination of claims paid twice identified 798 potential duplicate payments totaling nearly \$2 million. Of the 798 payments, the Board confirmed 417 duplicate claims for \$1.62 million, including 66 for which providers and claimants have already refunded \$220,000. The Board

¹We performed our examination in accordance with the State Comptroller's authority 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.

intends to recover the remaining \$1.4 million. The Board also confirmed 61 claims for \$107,000 were not duplicate payments and is continuing to review the remaining 320 claims for \$232,000. Our examination found these duplicate payments occurred because Board staff disregard system alerts designed to identify and prevent potential duplicate payments.

We shared a draft report with Board officials and considered their comments (Attachment B) in preparing the final report. The officials agreed with our findings and stated that they will comply with our recommendations by reminding staff of existing procedures, continuing to train staff as needed and utilizing system reports in an attempt to minimize errors. In addition, officials agreed to continue to review potential duplicate payments and seek recovery as appropriate.

B. Background and Methodology

The Board administered four sole custody funds in 2015 – 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 manage some claims from the Uninsured Employers Fund and the Special Fund for Disability Benefits, the majority of these claims are managed by a third-party administrator, Triad Group, LLC (Triad) under contract C-140311. The claims from the Second Injury Fund are managed by the Special Funds Conservation Committee (SFCC), a private concern established under the Law. Finally, claims from the Fund for Reopened Cases are managed by both the Board (compensation claims) and SFCC (medical claims).

Board staff enter claims 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 by the Board and submitted to our Office for approval prior to payment.

To accomplish our daily audit objective, we select high risk claims (e.g. type of claim, dollar value) using data analytics embedded in the Board's payment system. To identify duplicate payments made by the Board from January 1, 2014 through December 31, 2015, we analyzed all claims for the Uninsured Employers Fund, the Second Injury Fund and the Fund for Reopened Cases. We provided paid claims with matching characteristics to the Board to verify whether they were duplicates.

Recommendations

- 1) *Continue to reinforce the importance of accurately processing claims to Board staff.*
- 2) *Continue to review potential duplicate payments and recover any overpayments identified as needing to be recovered.*

- 3) *Ensure Board staff follow up appropriately when system alerts indicate a potential duplicate payment.*

We thank the management and staff of the Workers' Compensation Board for the courtesies and cooperation extended to our auditors. Since your response to our draft report is generally in agreement with these recommendations, there is no need for further response unless you feel otherwise. If you choose to provide a response, we would appreciate receiving it by June 9, 2016 indicating any actions planned to address the recommendations in this report.

Sincerely,

Bernard J. McHugh
Director of State Expenditures

Enc: Attachment A
Attachment B

cc: Mary Beth Woods
Suzanne Aluise

**WORKERS' COMPENSATION BOARD
ERROR TYPES BY CLAIM PROCESSING ENTITY RESULTING FROM DAILY AUDIT ACTIVITIES
CALENDAR YEAR 2015**

Error Type	WCB		SFCC		Triad		Total	
	Number	Amount	Number	Amount	Number	Amount	Number	Amount
Accounting Errors	64	\$818,811	0	\$0	1	\$97,220	65	\$916,031
Unsupported Charges	2	38,217	31	424,394	4	12,410	37	475,021
Noncompliance with Mandated fee schedules	5	12,887	34	33,637	9	6,960	48	53,484
Computation errors	16	116,280	0	0	1	24,519	17	140,799
Duplicate payments	2	41,166	0	0	1	844	3	42,010
Miscellaneous errors	33	228,792	3	1,403	0	0	36	230,195
Total	122	\$1,256,153	68	\$459,434	16	\$141,953	206	\$1,857,540



ANDREW M. CUOMO
Governor

ROBERT E. BELOTEN
Chair

MARY BETH WOODS
Executive Director

May 1, 2016

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:

As you know, staff from your office maintains a permanent presence of three full time employees at the Workers' Compensation Board's (WCB) Schenectady Office. This staff completed two separate reviews of payments made from four special funds administered by the WCB. This letter serves as a response to the recent report issued related to those reviews.

First, your staff reviewed over 17,000 payment requests (totaling about \$196 million) processed in calendar year 2015 and identified 141 (totaling about \$940,000) that were not properly supported, did not comply with the mandated fee schedule or were calculated incorrectly; a finding that represents approximately 0.5% of the sample reviewed. This review also identified 65 payment requests (totaling about \$920,000) that were otherwise proper but assigned an incorrect code that is used for internal reporting purposes; again a finding that represents approximately 0.5% of the sample.

Second, your staff reviewed all 1,262,000 payment requests (totaling about \$1.69 billion) processed in calendar years 2014 and 2015 and identified 417 duplicates (totaling about \$1.62 million) that should be recovered; a finding that represents 0.1% of the sample. This review also identified 320 potential duplicates (totaling about \$232,000) that WCB staff is in the processing of reviewing; a potential finding that represents up to 0.01% of the sample.

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

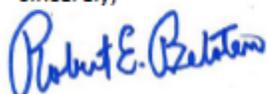
1. The first recommendation reads "Continue to reinforce the importance of accurately processing payments to Board." WCB will remind staff of existing procedures, continue to train staff as needed and utilize system reports in an attempt to minimize errors.
2. The second recommendation reads "Continue to review potential duplicate payments and recover any overpayments identified as needing to be recovered." WCB will continue to review potential duplicate payments and work with its agents SFCC and Triad to seek recovery of any duplicates identified as recoverable.

ATTACHMENT B

3. The third recommendation reads "Ensure Board staff follow up appropriately when system alerts indicate a potential duplicate payment." WCB will remind staff of existing procedures, continue to train staff as needed and utilize system reports in an attempt to minimize errors.

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,



Robert E. Beloten
Chair