



STATE OF NEW YORK
OFFICE OF THE STATE COMPTROLLER

May 2, 2011

Mr. Robert E. Beloten
Chair
Workers' Compensation Board
20 Park Street
Albany, NY 12207

Re: WCB Payments Report

Dear Chair Beloten:

Our Office examined Workers' Compensation Board (Board) payment requests during the period January 1, 2010 through December 31, 2010.¹ The objective of our examination was to determine whether payment requests were appropriate in accordance with the Workers' Compensation Law.

A. Results of Examination

For the period January 1, 2010 through December 31, 2010, our examination identified 619 inappropriate Workers' Compensation payment requests totaling over \$3.9 million (over \$3.43 million in potential overpayments and over \$481,000 in potential underpayments.)

We shared a draft report with Board officials for their review and comment. We considered their comments (Appendix A) in preparing this report. Board officials agreed with our findings and will continue to monitor the monthly audit exceptions to ensure staff performance is being monitored. In addition, the Board will include the Special Funds Conservation Committee (SFCC) in monthly meetings with OSC to help improve the payment process.

B. Background and Methodology

Workers' compensation insurance provides an injured worker with monetary relief and medical benefits, or in the case of death, survivor benefits to the worker's beneficiaries. These benefits are generally provided through policies with insurance carriers. The Board administers five sole custody funds that are used to pay claimants and providers for compensation and medical service. These funds cover claimants when employers fail to have sufficient insurance, when

¹ We 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.

claimants become disabled while collecting unemployment insurance, or when carriers or self-insured employers need relief from expenses associated with long-term disabilities.

For two of the funds – the Special Disability Fund and the Fund for Reopened Cases, SFCC acts as the “defender of the fund.” SFCC is a committee representing labor, industry, and insurance carriers that was established to conserve the assets of these funds. In this role, SFCC reviews claims for appropriateness and forwards them to the Board for approval.

Board staff is responsible for processing the claims for all five funds and generating the payment requests. The payment requests are subject to the audit and approval of the State Comptroller (OSC) prior to payment. For the period January 1, 2010 through December 31, 2010, OSC approved over 655,000 payment requests totaling approximately \$820 million from the five sole custody funds.

To accomplish our objectives, we select payment requests for examination on a daily basis using filters embedded in the Board’s payment system. The filters are designed to identify high-risk payment requests, considering such factors as dollar amount, type of payment, and potential for duplicate payment. When a payment request is selected for review, OSC determines whether it is: adequately supported; payable to the correct payee; does not duplicate a prior payment; and is appropriate according to the Workers’ Compensation Law, including established medical fee schedules. The medical fee schedules set the limit for reimbursement to medical providers, insurance carriers, and claimants.

C. Details of Findings

Our examination identified 619 inappropriate Workers’ Compensation payment requests totaling over \$3.9 million. We categorized these payment requests according to the reason we stopped them from payment. These included payment requests stopped because of non-conformance with the fee schedules, computation errors, data entry errors, and other reasons.

- We stopped 242 payment requests totaling about \$954,000 because they were not properly calculated according to the appropriate fee schedules. In one case, a payment request was submitted for \$35,351. After calculating the procedure to the proper fee schedule amount, we determined the payment request should only have been \$9,286.
- We stopped 113 payment requests due to computation errors totaling about \$856,000. One instance involved a payment request for \$58,693, which included \$57,240 for three implants. However, based on documentation included with the payment, only one implant was used during the procedure. The payment request should only have been \$21,193.
- We stopped 14 payment requests totaling about \$730,000 because of data entry errors. A payment submitted to the Board for \$330.96 was entered into the payment system for \$330,396.00. The data for another payment request was incorrectly calculated at over \$216,000 instead of \$4,236. Board staff input the wrong numbers into the ‘Amount’ field and when multiplied with the ‘Number of Weeks’ field it caused the payment system to calculate the large overpayment.

- We stopped 21 duplicate payment requests totaling about \$294,000.
- We identified and stopped 229 payment requests totaling approximately \$1.1 million relating to other categories including: underpayments (\$481,110); payment requests missing backup (\$182,887) or needing further clarification (\$52,521); miscalculation of rate (\$120,078); wrong payee or address (\$79,009); and other miscellaneous reasons (\$161,086).

Recommendations

1. *Establish controls to prevent overpayments due to data entry errors i.e. automated reasonableness or limit checks for large dollar payments.*
2. *Utilize the information provided in this report to ensure staff is aware of the types of errors identified in payment requests. Implement internal controls necessary to reduce errors identified.*

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.

Sincerely,

Bernard J. McHugh
Director of State Expenditures

cc: Uluss Thompson
Mary Beth Woods



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GOVERNOR

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ROBERT E. BELOTEN
CHAIR

JEFFREY FENSTER
EXECUTIVE DIRECTOR

April 20, 2010

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

Dear Mr. McHugh:

This letter is in response to your letter dated March 23, 2011, which provides an overview of your on-site agency staff's daily analysis of Board expenditures from various funds during calendar year 2010.

Your report has two main recommendations, which we address below.

Recommendation # 1: Establish controls to prevent overpayments due to data entry errors.

WCB Response:

The Board's computer system provides daily disbursement summaries. We have discussed this issue with staff from our Special Funds unit and we have met with the supervisors of the unit to remind them to review daily summaries, particularly large payments, to identify any potential overpayments or errors. We will continue to monitor the monthly audit exceptions to ensure that we are adequately monitoring staff performance in this area.

Recommendation # 2: Utilize the information provided in this report to ensure staff is aware of the types of errors identified in payment requests.

WCB Response:

The Board recognizes the importance of ensuring staff is aware of errors and processing issues. Therefore, key staff from the Special Funds unit meets monthly with the on-site OSC auditors to discuss the errors identified in the prior month. This allows us to ensure similar mistakes are not repeated.

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It is important to note, however, that a significant participant in the entire cycle of processing payments for the bulk of these funds, the Special Funds Conservation Committee (SFCC), is not mentioned within your report. A significant number of the errors identified in your detailed reports are associated with processing issues at the SFCC. Therefore, we are implementing a new process for 2011 that will include the SFCC in our monthly meetings so we can all work together to improve the payment process.

I would like to thank you and your staff for their continued cooperation and we look forward to a joint effort to eliminate or minimize future processing errors.

Sincerely,

A handwritten signature in black ink, appearing to read "Robert E. Beloten". The signature is fluid and cursive, with the first name "Robert" being the most prominent part.

Robert E. Beloten
Chair

cc: Jeffrey Fenster, Executive Director
Uluss (Gus) Thompson, Deputy Director of Administration