



OFFICE OF THE COMPTROLLER  
CITY OF ST. LOUIS



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Comptroller

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October 14, 2014

**FILE COPY**

Winston Calvert, City Counselor  
City Counselor's Office  
Worker's Compensation Section  
City of St. Louis  
1200 Market Street, Room 314  
St. Louis, MO 63103

RE: Worker's Compensation Section (Project #2014-P03)

Dear Mr. Calvert:

The Comptroller's Internal Audit Section has completed a process review of the Worker's Compensation Section. Enclosed is the report covering the period July 1, 2012 through June 30, 2013. A description of the scope of the work is included in the report.

Fieldwork was completed on March 17, 2014. Worker's Compensation management's responses to the observations and recommendations noted in this report were received on October 7, 2014 and have been incorporated in the report.

This review was made under authorization contained in Section 2, Article XV of the Charter, City of St. Louis, as revised; and has been conducted in accordance with the *International Standards for the Professional Practice of Internal Auditing*.

If you have any questions, please contact the Mohammad Adil at (314) 657-3446.

Respectfully,

Mohammad Adil, CPA, CGMA  
Internal Audit Supervisor

Ron Steinkamp, CPA, CIA, CFE, CRMA, CGMA  
Internal Audit Advisor

Enclosure

Cc: Nancy Kistler, Deputy City Counselor



# CITY OF ST. LOUIS

## CITY COUNSELOR'S OFFICE WORKER'S COMPENSATION SECTION

### PROCESS REVIEW

JULY 1, 2012 THROUGH JUNE 30, 2013

INTERNAL AUDIT PROJECT # 2014-P03

DATE ISSUED: OCTOBER 14, 2014

Prepared by:  
The Internal Audit Section



# OFFICE OF THE COMPTROLLER

HONORABLE DARLENE GREEN, COMPTROLLER

**CITY OF ST. LOUIS  
CITY COUNSELOR'S OFFICE  
WORKER'S COMPENSATION SECTION  
PROCESS REVIEW  
JULY 1, 2012 THROUGH JUNE 30, 2013**

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**SUMMARY**

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**Background**

The City of St. Louis self-insures its workers' compensation program. The Worker's Compensation Section in the City Counselor's Office is responsible for the evaluation of claims. Cannon Cochran Management Services, Inc. (CCMSI) provides claims administration services of the City claims to include: reporting of injuries, payment of compensation, and handling of files. Authorization and referrals for medical treatment are handled by both CCMSI and the City.

**Purpose**

The purpose of this review was to determine if the Worker's Compensation Section effectively and efficiently managed risks within its' fiscal processes to ensure:

- Compliance with applicable laws, regulations, policies and procedures.
- Safeguarding of assets.
- Reliability and integrity of financial and operational information.
- Economic and efficient use of resources.

**Scope and Methodology**

The scope of the review covered the period July 1, 2012 through June 30, 2013. The review was confined to evaluating internal controls over the fiscal activities relating to the objectives noted above. The review procedures included:

- Inquiries of management and staff.
- Analytical review of financial performance.
- Observations of relevant processes.
- Reviews of processes and transactions for compliance with applicable laws, regulations, policies and procedures.
- Limited tests of internal controls and related transactions.
- Comparison of processes against best practices.
- Follow-ups on any prior observations.
- Other procedures considered necessary.

**Conclusion**

The Worker's Compensation Section could improve the management of risks within its fiscal processes.

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**SUMMARY**

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**Current Observations**

We noted the following observations and opportunities for improvement, which while not significant, could help the Workers' Compensation Section to manage the risks more efficiently within its workers' compensation operations:

1. Improve Controls and Procedures for Case Files in Claims Management System
2. Improve Procedures in Collecting All Required Claim Forms.
3. Improve Procedures in Reporting All Claim Forms.
4. Improve Controls Over Review of Claims Payments

These observations are discussed in more detail in the *Detailed Observations and Recommendations* section of this report.

**Management Response**

An exit conference was conducted at CCMSI on September 10, 2014 with Deputy City Counselor, Worker's Compensation Specialist, and Claims Supervisor. At the exit conference we discussed the report observations and recommendations. Management of the City Counselor's Office subsequently provided a written response which we received on October 7, 2014 and incorporated into this report.

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**DETAILED OBSERVATIONS AND RECOMMENDATIONS**

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**1. Improve Controls and Procedures for Case Files in Claims Management System**

A review of 25 claim documents in the CCMSI's iCE claims management system revealed that not all claim documents were well organized or clearly titled making it difficult to find information. In addition, some documents were missing. A review of the claim notes in the claim management system found the following four exceptions:

- Claim #12062C384729 – Missing the Return of Injury Form (ROI)
- Claim #11062B883605 – The Stipulation for Compromise Settlement Form that was signed by the administrative law judge and the attorney for the employee was not scanned into the claim notes.
- Claims #12062C372473 and #12062C370315 – Reserved worksheet for each claim scanned on 11/16/2012 in the claim notes were blank.
- Claim #12062C302510 – Scanned document “Form 2” dated 11/28/2012, the user had the ability to make changes to the document.

The Claims Supervisor is required to review all claim files. In addition, Corporate Claim Handling Best Practices require documentation to be meaningful, clear, and concise. Strong controls in the iCE System would require “read-only” access for the user on all scanned documents in the claim notes.

It appears that the claims were not adequately reviewed to include the documents scanned into the claim notes.

If the required documents are not scanned and documented into the claim notes, there could be a lack of evidence of compliance with worker's compensation requirements. In addition, if the scanned documents are not clearly titled or organized it could make the claim notes difficult to review for the Claims Supervisor. This could cause errors in the management of the claims, or delays in the closing out of claims and payments.

**Recommendation**

We Recommend that:

- The Claim Adjusters are trained to document and clearly title all scanned documents, so they can be accurately reviewed by the Supervisor, or other users.
- The Claims Supervisor perform a periodic spot review of claim documents scanned into the claim notes to ensure they are accurate and clearly scanned.

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**DETAILED OBSERVATIONS AND RECOMMENDATIONS**

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**1. Continued ...**

***Management Response***

*CCMSI Claim Supervisor and CCMSI Claim Manager will conduct a training session for adjusters handling City of St. Louis claims which will cover how to appropriately title scanned documents attached to claim log notes. Additionally, the Claim Supervisor will periodically spot check attachments during normal supervisory reviews.*

**2. Improve Procedures in Collecting All Required Claim Forms**

A review was performed to verify that the Treatment Authorization and Fitness for Duty Form was being collected from the physicians. We observed that 11 out of 25 claims reviewed had no Treatment Authorization and Fitness for Duty Form collected and scanned into the claim notes in the iCE system.

City of Saint Louis Department of Personnel Joint Regulation No. 4 requires that the Treatment Authorization and Fitness for Duty Form be forwarded to CCMSI. In addition, copies of the form are to be distributed to the City department involved, treating facility, and CCMSI.

We noted that a physician worker activity status report was faxed to CCMSI in place of the form. This form had all applicable information for CCMSI to process.

If the required documents are not collected this could cause mismanagement in the claim process, all parties may not be collecting the needed information. In addition, this is noncompliant with the City of Saint Louis Department of Personnel Joint Regulation No. 4.

**Recommendation**

We recommend that the Workers Compensation Section establish procedures to ensure compliance with City of St. Louis Department of Personnel Joint Regulation No. 4 and require the Treatment Authorization and Fitness for Duty form be obtained, properly maintained and distributed.

***Management's Response***

*Eleven out of twenty-five cases reviewed were identified as missing Treatment Authorization and Fitness for Duty Forms and it was observed that Joint Regulation #4, which requires that such a form be completed, was not followed in these cases. Six of the identified claims involved employees requiring emergency care. In such cases, to avoid delays when immediate treatment is necessary, the form is not completed prior to treatment. And, three of the claims were Fire Department claims (one was also an emergency treatment case). In such cases, the Fire*

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**DETAILED OBSERVATIONS AND RECOMMENDATIONS**

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**2. Continued...**

*Department's Chief Medical Officer accompanies the injured employee to the authorized treatment facility and verbally authorizes the treatment, which is then documented by the facility. The Workers' Compensation Section will work with the Deputy City Counselor and the Director of Personnel to revise Joint Regulation #4 to recognize the above-referenced exceptions.*

*Further, three of the identified claims were for employees who are employed by non-City entities with which the City has cooperation agreements (License Collector, Library and Court Administrator). (One was also an emergency treatment case.) These entities, as well as numerous other non-City entities, are not bound by Joint Regulation #4, which only pertains to City employees. However, the Workers' Compensation Section will urge each of these non-City entities to complete the form.*

**3. Improve Procedures in Reporting All Claim Forms**

A review of 25 Notice of Commencement/Termination of Compensation Forms was performed to verify that the forms were filed timely in accordance with state requirements. The following exceptions were noted:

- The Notice of Commencement Forms were missing for Claim #s 13062C456876 and 13062C449316 in the claim notes.

Per Notice of Commencement/Termination of Compensation Form the Notice of Commencement Forms is to be filed within 30 days of the date of the original notification of the injury.

It appears the claim notes were not adequately reviewed to ensure all documents that needed to be filed were properly filed and scanned into the iCE system.

The City may not be compliant with State requirements if these forms are not filed within the required time frame.

**Recommendation**

We recommend that:

- The Claim Adjusters are trained to ensure that all forms are filled out timely.
- The Claims Supervisor perform a periodic spot review of claim documents scanned into the claim notes to ensure all required forms are prepared and filed with the State.

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**DETAILED OBSERVATIONS AND RECOMMENDATIONS**

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**3. Continued...**

***Management's Response***

*The Workers' Compensation Section has requested that the CCMSI Claim Supervisor provide additional training to adjusters regarding the proper procedures for the complete and timely filing of the Missouri Form 2 Notice of Commencement and Termination [of TTD] and that the CCMSI Claim Supervisor perform periodic spot checks to ensure all required forms are timely scanned and completed.*

*CCMSI Claim Supervisor and CCMSI Claim Manager will conduct a training session for all adjusters handling City of St. Louis claims which will cover the timely scanning and completion of the Missouri Form 2 Notice of Commencement and Termination. Additionally, the Claim Supervisor is now reviewing all Missouri Form 2s before they are filed.*

**4. Improve Controls over Review of Claims Payments**

A review of claims paid was performed in CCMSI's iCE system. A review revealed that there was a voucher payment for claim #12062C410142 in the amount of \$840.96 processed on 6/11/2013 entered twice in the system's claim detail and voucher register. The claim payment was not identified or reviewed for duplicate entry in the iCE system. However, a review of the City's general ledger revealed no duplicate payment of the payment voucher.

Strong system controls would have checks in place to review all payments entered into the system to identify any duplicate payments, incorrect amounts, or double entries.

It appears adequate controls were not in place to ensure duplicate entries for payments were identified in the system.

If the payments are not adequately reviewed this could cause errors in prepared reports or duplicate payments. In addition, the system payment detail could affect future reviews or analysis if amounts entered are not adequately reviewed.

**Recommendation**

We recommend that the City require CCMSI to build controls and review for duplicate payments. In addition, periodic reviews should be performed of CCMSI payments for potential duplicates.

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**DETAILED OBSERVATIONS AND RECOMMENDATIONS**

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**4. Continued...**

***Management's Response***

*The Workers' Compensation Section has requested that CCMSI build stronger controls to prevent or flag duplicate payments and that the CCMSI Claim Supervisor perform a periodic reviews of payments for potential duplicate payments.*

*CCMSI will investigate additional system controls that may be available to address concern. Adjusters handling City of St. Louis claims will receive additional training regarding strategies to avoid duplicate payments. Additionally, the CCMSI Account Manager currently conducts periodic reviews to spot duplicate payments.*