Exhibit 1

Audit of Risk Management Division Workers' Compensation Section

Office of the County Auditor

Audit Report

Robert Melton, CPA, CIA, CFE, CIG
County Auditor

Report No. 18-20
April 26, 2018

BROWARD COUNTY
FLORIDA
OFFICE OF THE COUNTY AUDITOR
115 S. Andrews Avenue, Room 520 • Fort Lauderdale, Florida 33301 • 954-357-7590 • FAX 954-357-7592

April 26, 2018

Honorable Mayor and Board of County Commissioners:

We have conducted our audit of the Risk Management Division Workers' Compensation section.

Our audit objectives were to determine whether workers' compensation payments are appropriate and properly documented and to determine whether payments and program administration activities are in accordance with applicable laws.

We conclude that all payments were appropriate and properly documented, with the exception of $14,034 in questionable pharmacy charges for one claim. We conclude that payment and program administration activities are in accordance with appropriate laws. Opportunities for improvement are included within this report.

We appreciate the cooperation and assistance provided by the Risk Management Division, Office of the County Attorney, and Transit Division throughout our review process.

Respectfully submitted,

Bob Melton
County Auditor

cc: Bertha Henry, County Administrator
Andrew Meyers, County Attorney
George Tablack, Chief Financial Officer

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EXECUTIVE SUMMARY

We have conducted an audit of the Workers' Compensation Section of Risk Management Division (RMD). We conclude that payments were appropriate and properly documented, with the exception of $14,034 in questionable pharmacy charges for one claim. We conclude that payment and program administration activities are in accordance with appropriate laws. We noted Opportunities for Improvement.

The Workers' Compensation (WC) Section paid $14,034 in questionable pharmacy charges as a result of inadequate controls over claim payments. The charges were for a high dollar amount billed by an out-of-network pharmacy for a compound topical medication nearly two months after the case was closed and the claimant had returned to work on full duty. The invoices for these prescriptions, totaling $14,034, were approved by the WC Section's Claim Adjuster and were paid by the County.

The County's current workers' compensation policy does not provide Broward County employees who are injured on the job after October 1, 2013, with a disability benefit providing for paid leave to attend medical appointments or, in some cases, for initial days of work missed due to their injuries. Instead, employees are required/allowed to use their own available sick or vacation leave for such absences. It is only when an employee is absent for seven consecutive days or more does the individual become eligble for indemnity payments for 2/3 of their regular compensation (this amount may also be supplemented to full compensation levels by use of available leave balances, at the employee's choice). This practice can have significant detrimental financial impacts on employees who suffer a legitimate workplace injury, through no fault of their own, and who were performing their job duties in good faith. While the County's practices are consistent with State requirements, the County's actions are not consistent with other peer Florida counties we surveyed. We recommend management review its current workers' compensation benefit policies to consider providing employees with work related injuries that are medically verified and do not violate any County safety policies with reasonable and equitable benefits, similar to other Florida peer counties.

We also noted other opportunities for improvement in processing procedures, policies, and practices. Our report contains a total of 13 recommendations for improvement.

INTRODUCTION

Scope and Methodology

The County Auditor's Office conducts audits of Broward County's entities, programs, activities, and contractors to provide the Board of County Commissioners, Broward County's residents, County management, and other stakeholders unbiased, timely, and relevant information for use in promoting government accountability and stewardship and improving government operations.

We have conducted an audit of the Workers' Compensation Section of Risk Management Division (RMD). Our audit objectives were to:

1. Determine whether workers' compensation payments are appropriate and properly documented
2. Determine whether payments and program administration activities are in accordance with applicable laws
3. Determine whether any opportunities for improvement exist.

To determine whether all workers' compensation payments are appropriate and properly documented, we interviewed Risk Management Division management and staff; reviewed sampled transactions, employee claims and related records; analyzed various reports and financial information; analyzed trends and fluctuations in payment activity; and reviewed various management reports and budget documents.

To determine whether all payments and program administration activities were in accordance with applicable laws, we reviewed sampled claims activity and payments in accordance with Florida Statutes and County policies; reviewed various policies and Internal Control Handbook documents, County employee collective bargaining agreements, agreements with other governmental entities and contracted providers; interviewed Mass Transit Managers and staff; conducted site visits to Bus Depot locations; reviewed employee job descriptions, researched and reviewed peer counties workers' compensation programs and workers' compensation industry practices.

Our audit included such tests of records and other auditing procedures, as we considered necessary in the circumstances. The audit period was January 1, 2016 through July 31, 2017. We extended the scope of our review through December 1, 2017, for selected components of the

audit. However, transactions, processes, and situations reviewed were not limited by the audit period.

Overall Conclusion

We conclude that payments were appropriate and properly documented, with the exception of $14,034 in questionable pharmacy charges for one claim. We conclude that payment and program administration activities are in accordance with appropriate laws. Opportunities for improvement are included within this report.

Background

Chapter 440, Florida Statutes, establishes Workers' Compensation Law, with the intent "to assure the quick and efficient delivery of disability and medical payments to an injured worker and to facilitate the worker's return to gainful reemployment at a reasonable cost to the employer." The state's Division of Workers' Compensation administers and oversees workers' compensation across Florida, and may perform audits of employer programs to determine compliance, pursuant to Sections 440.525 and 440.20 (15) (a), Florida Statutes.

Broward County's workers' compensation process is managed by the Risk Management Division (RMD), within the Finance and Administrative Services Department (FASD). The program is governed by state statute, as well as Broward County internal policies. Additionally, certain union agreements may have workers' compensation requirements specific to their represented groups. RMD contracts with Amerisys, a third-party administrator, for workers' compensation cost containment and case management services.

In Fiscal Year (FY) 2017, the Workers' Compensation (WC) Section had an operating budget of $34,971,170 and eight budgeted positions, including a Manager, Claims Adjusters, and administrative support positions. This amount includes claims payments and staffing costs, as well as reserves of $30 million established for existing claims. Additional direct support is provided to the WC Section by information technology and accounting staff within RMD. The WC Section is responsible for coordinating all functions relating to employee or volunteer injuries or illnesses, including provision of medical treatment, payment for lost time from work, investigations, and claims and litigation management. According to RMD, the WC Section provides workers' compensation services to over 21,000 individuals. As shown in Figure 1, most covered individuals are Broward County employees and volunteers for the Supervisor of Elections and the Performing Arts Center.

Figure 1: The County provides workers' compensation services to several entities and their volunteers.

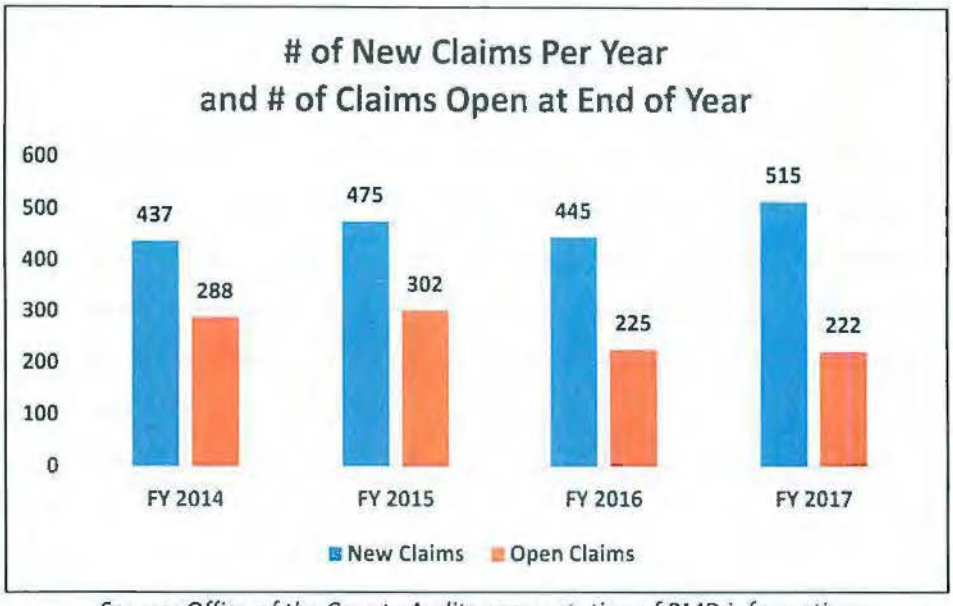
Entity	# of Covered Employees	# of Covered Volunteers	Totals
Broward County	6,380	4,304	10,684
Clerk of Court	757	0	757
Supervisor of Elections	68	7,500	7,568
Property Appraiser	223	0	223
Performing Arts Center	270	1,500	1,770
Totals	**7,698**	**13,304**	**21,002**

Source: Office of the County Auditor representation of information provided by Risk Management Division

Broward County is both self-administered and self-insured for workers' compensation costs. Each year, during the budget cycle, 'charge back' premium costs are developed for each agency. These costs are developed with the assistance of actuarial reports, and calculations are based upon the number of employees, the job classifications, and claims history for the individual divisions. These amounts are then retained in a specific reserve account from which claims expenditures are withdrawn. Excess workers' compensation insurance is purchased to protect the County from claims in excess of certain annually established thresholds, an amount which is currently set at $1,500,000.

As shown in Figure 2, from FY 2014- FY 2017, the number of new claims opened each fiscal year has increased, while the number of open cases as of the end of the fiscal year has decreased. For example, each year, new cases are opened, based upon new injuries. The majority of new claims are closed within a relatively short time frame, as the injuries are treated, and employees recover and return to work. Occasionally, a claim may remain open for months or years, depending on the nature of the injury and the potential need for long term treatments, due to temporary or permanent disability. These cases may take significant time and effort to resolve, or may be closed due to litigation or settlement activity.

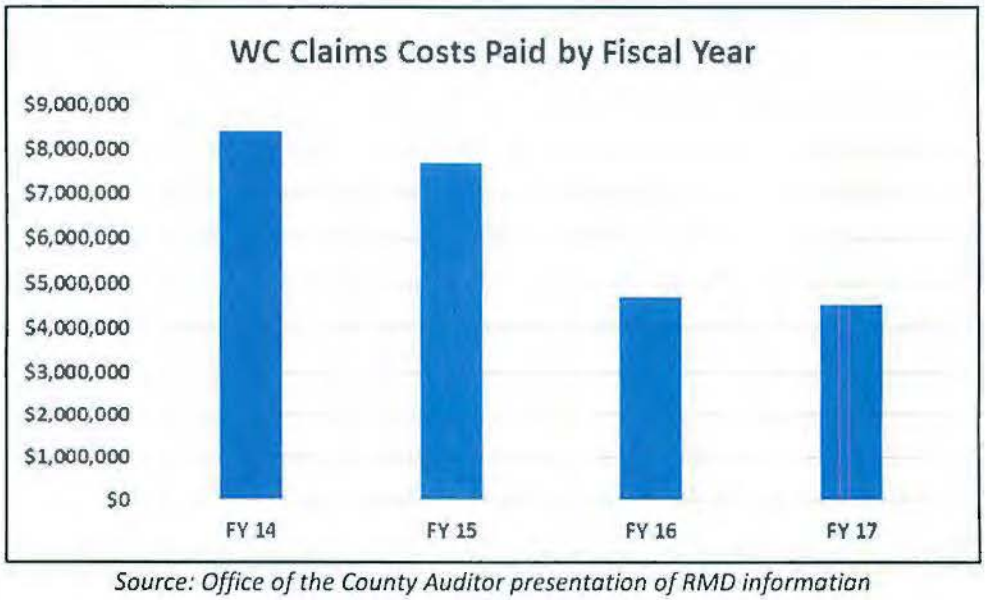
Figure 2: The overall number of open cases at fiscal year-end has decreased from FY 2014 to FY 2017.



Source: Office of the County Auditor presentation of RMD information

As shown in Figure 3, in FY 2014, the total costs of all claim management activity (medical payments, contract services, settlements, WC Section staff, premiums for excess insurance coverage) was approximately $8.4M. This per-year cost has decreased by 46% over the four-year period through FY 2017, to $4.5M. This information is consistent with the overall trend in the number of open cases shown above and appears to indicate that claims are being more cost-effectively managed over time.

Figure 3: The costs of claims have decreased from $8.4M to $4.5M from FY 2014 to FY 2017.



Source: Office of the County Auditor presentation of RMD information

Claims Process

As previously noted, all aspects of the workers' compensation claim process are governed by extensive statutory requirements. The County must comply with these minimum standards, and has developed a process which requires the successful cooperation and coordination of several County offices, as well as contracted entities, physicians, and the employee.

The WC section works closely with Amerisys, the County's contracted workers' compensation benefit manager, to help administer claims. Once an injury occurs, employees or their supervisors call a dedicated phone number and speak with an Amerisys representative to complete a First Report of Injury (FROI) (also referred to as First Notice of Injury (FNOI)). Appropriate doctors are identified and referred to employees from the Amerisys network. As the nature of workers' compensation injuries can vary, Amerisys has doctors available in a wide variety of fields (general practitioners, orthopedists, surgeons and physical therapists) and medical institutions (drop in urgent care clinics, outpatient surgery centers, hospitals, testing facilities). Doctors treat patients, and submit forms back to Amerisys and the County, describing their medical findings, and recommendations for ongoing care, or physical restrictions, if needed. Many employees quickly return to work. Others may need additional treatment, or time to recover. If necessary, specialized physicians may be identified, or additional tests may be ordered. As applicable, Amerisys and County WC staff review the appropriateness of medical treatments and provide pre-authorizations for care. Efforts are made to work with employees to identify in-network physicians of their choosing. If needed, the County may request Amerisys to assign a case manager to work with the employee and their doctors to help ensure appropriate treatment protocols are in place. Employees can fill prescriptions anywhere, but are encouraged to use Amerisys' 'MyMatrixx' network.

After seeing an injured worker, doctors submit their bill to Amerisys, who reviews the charges to ensure amounts invoiced are within state maximums or agreed-upon contracted rates. Bills reviewed by Amerisys are forwarded daily to WC staff who review and, approve for payment as applicable, (or send back to Amerisys for reconsideration). As the WC Section approves payments, Records, Taxes and Treasury (RTT) Division prints the pre-approved checks, which are then picked up and mailed out by RMD staff the next day.

OPPORTUNITIES FOR IMPROVEMENT

Our audit disclosed certain policies, procedures and practices that could be improved. Our audit was neither designed nor intended to be a detailed study of every relevant system, procedure or transaction. Accordingly, the Opportunities for Improvement presented in this report may not be all-inclusive of areas where improvement may be needed.

1. Additional Controls are Needed to Prevent the Payment of Potentially Fraudulent Prescription Charges

The Workers' Compensation (WC) Section paid $14,034 in questionable pharmacy charges as a result of inadequate controls over claim payments. The charges pertained to one claim that were questionable because:

- The charges were for a high dollar amount billed by an out-of-network pharmacy for a compound topical medication nearly two months after the case was closed and the claimant had returned to work on full duty.

- The medication was not previously prescribed during treatment and the only other pharmaceutical charges were nearly four months prior, at the time of surgery, from an in-network pharmacy, consisting of common post-surgery medication, at an amount of $267.

- We obtained conflicting evidence supporting the authenticity of the doctor's signature on the prescription supporting the charges.

- There were no Treatment Summary Forms (DWC-25) within the claim file to support the prescribed medication. These forms provide details regarding the claimant's current condition, treatment, prescriptions, follow up appointments and physical restrictions.

The invoices for these prescriptions, totaling $14,034, were approved by the WC Section's Claim Adjuster and were paid by the County. The claim only required approval by the Claims Adjustor. There were no controls in place requiring a second review and approval for transactions of this nature (i.e. transactions that exceed a dollar threshold, billed by an out of network pharmacy, or billed subsequent to case closure)

After the charges were paid and additional billings were received, the WC Section performed additional review and denied future payment requests; however, no further action was taken at the time to report the transactions to the appropriate regulatory authorities.

The full details of the transaction and our procedures are outlined in the following sections.

The $14,034 in questionable pharmacy charges were of high dollar amount billed by an out-of-network pharmacy for a compound topical medication nearly two months after the case was closed and the claimant had returned to work on full duty. The medication was not previously prescribed during treatment and the only other pharmaceutical charges were nearly four months prior, at the time of surgery, from an in-network pharmacy, consisting of common post-surgery medication, at an amount of $267. Figure 4 shows the timeline of the case.

Figure 4: The timeline of the case.

Event	Date
Injury	March 12, 2017
First Medical Appointment	March 13, 2017
Appointment with Surgeon	March 15, 2017
Surgery	March 30, 2017
Common Post-Surgery Medication Costing $267 is Paid to an In-Network Pharmacy	April 3, 2017
Follow-up Doctor's visits	April 5, 2017 & April 26, 2017
Return to Work - Light Duty Status	May 1, 2017
Final Doctor's Visit	May 31, 2017
Case Closure	May 31, 2017
Return to Work - Full Duty Status	June 1, 2017
Compound Topical Medication Costing $14,024 is Paid to an Out-Of-Network Pharmacy	July 28, 2017 – August 25, 2017

Source: Office of the County Auditor review of RMD claim file information.

Charges Billed and Worker's Compensation Section Post Payment Review

After the charges were paid and additional billings were received in September and December of 2017, the WC Section performed additional review and denied future payment requests; however, no further action was taken at the time to report the transactions to the appropriate regulatory authorities. WC Section denied charges totaling $30,737. Figure 4 presents a listing of all charges submitted for payment by the pharmacy, indicates the stated date of services, and shows whether the bill has been paid or denied.

Figure 5: As of December 1, 2017, a total of 14 questionable invoices were received.

Date Bill Received	Date of Service	Billed Amount	Amount paid	Date Bill Paid	Amount Denied
July 21, 2017	July 17, 2017	$10,891.19	$10,891.19	July 28, 2017	
July 21, 2017	July 17, 2017	$4.18			$4.18
July 21, 2017	July 17, 2017	$131.43	$101.43	July 28, 2017	$30.00
July 21, 2017	July 17, 2017	$883.64			$883.64
July 21, 2017	July 17, 2017	$802.67	$802.67	August 22, 2017	
July 21, 2017	July 17, 2017	$883.64	$883.64	August 22, 2017	
July 21, 2017	July 17, 2017	$471.10	$471.10	August 22, 2017	
August 22, 2017	August 16, 2017	$883.64	$883.64	August 25, 2017	
September 22, 2017	September 15, 2017	$2,162.39			$2,162.39
September 27, 2017	August 16, 2017	$1,278.75			$1,278.75
December 1, 2017	June 14, 2017	$2,162.39			$2,162.39
December 1, 2017	June 14, 2017	$11,026.86			$11,026.86
December 1, 2017	August 16, 2017	$11,026.86			$11,026.86
December 1, 2017	September 15, 2017	$2,162.39			$2,162.39
	Total	**$44,771.13**	**$14,033.67**		**$30,737.46**

Source: Office of the County Auditor representation of data obtained from the CSSTARS database system.

Claimant

We were unable to confirm if the Claimant personally requested the medications. According to the WC Section, the Claimant reported that the first package was delivered to the Claimant's home and accepted by a member of the household, but subsequent deliveries were refused. We attempted to interview the Claimant to gain additional information, but the individual declined signing a Voluntary Interview form and we were unable to proceed.

Pharmacy

On May 16, 2017, the pharmacy sent a "Patient Request" fax to the doctor's office stating that the patient requested a Topical Pain and Scar cream and requested that the Doctor sign, date and add the International Classification of Diseases, 10th Revision (ICD-10) codes to the prescription. The prescription was pre-filled with the medication leaving the doctor's signature and date blank. We obtained a copy of the prescription that was signed on May 30, 2017.

We also researched the pharmacy and noted that the pharmacy's location changed within Broward County from the time the original invoice was received to the conclusion of our fieldwork. It also appears that the pharmacy's registration with the State of Florida Division of Corporations may have been expired during the time the prescriptions were billed but was subsequently reinstated on October 2, 2017. Two of the registered agents of pharmacy are also registered agents of several other pharmacies and physician networks (approximately 15 other entities registered in Florida), two of which appear to be operating the original location. The

websites for these entities advertise as specializing in telemedicine, workers' compensation cases, and mail order prescriptions. Figures 6 and 7 show photographs of the original and new locations, respectively.

Figure 6: Photographs of original location taken in December 2017.

Source: Office of the County Auditor, names of businesses have been redacted.

Figure 7: Photograph of new location taken in January 2018.

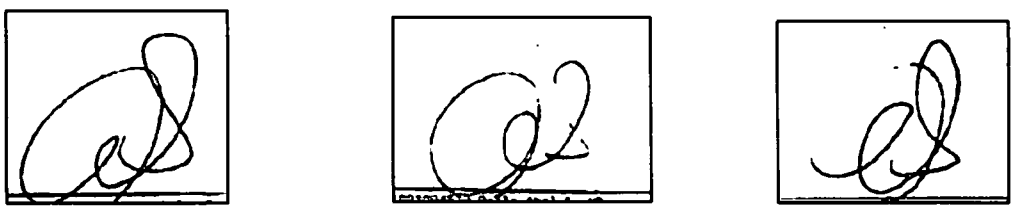
Source: Office of the County Auditor.

Doctor

We obtained conflicting evidence supporting the authenticity of the doctor's signature on the prescription supporting the charges.

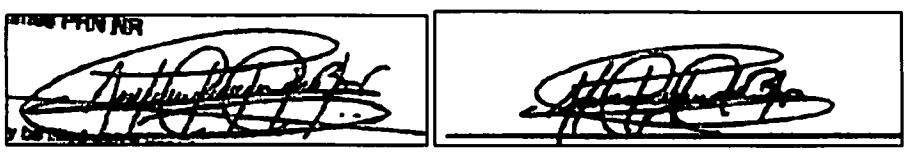
We reviewed the claimant's file and inquired of the doctor's office to determine whether the prescriptions were truly authorized by the doctor. Three original March 30, 2017 prescriptions (filled by the in-network provider near the time of surgery) written by the doctor were identified and the signature on these prescriptions are shown in Figure 8. The file also contained two 'return to work' authorizations, signed by the doctor, and shown in Figure 9, which appear different from the signatures in Figure 8. Finally, the signatures on the two prescriptions filled by Pharmacy B were identified and are shown in Figure 10. These signatures appear to match the signatures in Figure 8, but not Figure 9.

Figure 8: The doctor's signatures as written on original three prescriptions dated March 30, 2017.



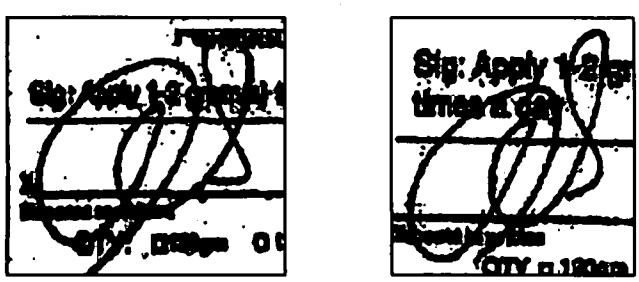
Source: Risk Management Division claim file documents

Figure 9: The doctor's signature as written on return to work notes dated April 12, 2017 and April 26, 2017.



Source: Risk Management Division claim file documents

Figure 10: The doctor's signatures as written on Pharmacy B prescriptions dated May 30, 2017.



Source: Risk Management Division claim file documents

To determine which signatures correctly belong to the treating physician, we conducted interviews with the doctor's office staff and a person who identified himself as the doctor. When shown copies of the various file documents, the Office Manager stated she was 'not familiar' with the signature on all the prescriptions (Figures 8 and 10), but recognized the signature on the "return to work" documents (Figure 9) as the doctor's handwriting. However, later the same day, an individual identifying himself as the doctor called our Office, and stated he would never prescribe these medications on his own, as he did not believe they would help the patient, but he affirmed he did sign the prescriptions, at what he believed was the patient's request, as stated in a fax received from the pharmacy. He believes "We were all deceived," and advised to deny payment for any future billings.

Although both individuals interviewed did not believe there was any medical value to the prescriptions, information received from the Office Manager and the doctor differed in regard to whose signature was on the prescriptions themselves.

Treatment Summary Forms

There were no treatment summary forms ('DWC-25') in the claimant's file for the post-surgery follow-up doctor's visits completed on April 5, 2017, April 26, 2017 and May 31, 2017. This Department of Workers' Compensation form is required to be submitted with any billing for services, and includes details regarding the claimant's current condition, treatment, prescriptions, follow up appointments and physical restrictions. If the DWC-25 forms for these follow-up appointments were on file, they could have provided important information to the Claim Adjuster, such as any new medications prescribed, the reason for the prescriptions and subsequent refills, as well as confirmation of the claimant's recovery status.

Conclusion

Based upon the information available, it appears these charges are questionable, and should not have been paid by the Claim Adjuster. Further, it appears that a lack of controls throughout the claim process may have contributed to the potentially erroneous payment.

Subsequent to our fieldwork, the WC Section has reported this issue to the Bureau of Worker's Compensation Fraud.

We recommend management take the following actions to ensure invoices are paid only for valid prescriptions, written by the Claimant's physican:

A) Establish additional supervisory review and verification of the validity of the prescriptions for transactions meeting certain crieria such as:
   - Out of network pharmacy invoices exceeding established dollar thresholds,
   - Specific types of prescriptions such as topical compounds exceeding established dollar thresholds, and
   - Charges for prescriptions filled after case closure.

B) Obtain DWC-25 forms for all medical visits.

C) Establish procedures to immediately report potentially fraudulant charges to the appropriate regulatory authorities.

2. Manually Requested Payments Should be Reviewed by the WC Manager and Approvals Should be Documented Prior to Release of Payments

We identified two of 30 payments (7%) that were not properly pre-approved by the WC Manager prior to disbursement. As shown in Figure 11, we reviewed payable reports for 11 days within our review period, covering 30 payments, with a total value of $24,843.08. Of these, we identified one report for April 26, 2016, with two payments, valued at a total of $2,485, which did not contain evidence of review and approval by the WC Manager prior to the issuance and mailing of the checks.

Figure 11: Two of 30 payments (7%) were not approved prior to disbursement.

Date Reviewed	# of Disbursements	Disbursed Amount	Evidence of Review and Approval
3/7/2017	1	$5.00	Yes
10/28/2016	1	$69.42	Yes
2/22/2017	5	$1,220.81	Yes
5/20/2016	5	$2,851.50	Yes
2/28/2017	1	$880.00	Yes
9/19/2016	4	$248.49	Yes
11/16/2016	6	$1,701.64	Yes
6/27/2017	1	$16.22	Yes
4/26/2016	2	$2,485.00	No
3/9/2017	1	$5.00	Yes
7/21/2016	3	$15,360.00	Yes
Subtotals	**30**	**$24,843.08**	

Source: Office of the County Auditor

In this instance, the applicable internal report lacked evidence of supervisory review, but the payments were processed and disbursed. The WC Manager should documents review and approval of payments; RMD Information Technology (IT) Staff should ensure this approval is in place before authorizing RTT to print the checks; and RMD accounting staff should verify that the payments are approved prior to disbursement.

Ensuring the proper functioning of all disbursement review controls is particularly important within RMD, which is uniquely empowered to generate and disburse payments, outside of the County's Accounts Payable Division standard review and control processes. Without pre-approval by a knowledgeable supervisor, inappropriate payments may go undetected prior to check issuance.

We recommend management ensure all WC manual payment requests are properly approved and authorized prior to check issuance and disbursement.

3. The County's Webpage and Intranet Site Should Provide Employees with Updated Workers' Compensation Policies and Information

An outdated Internal Control Handbook (ICH) document from 1987 is posted on the County's Internal Control Handbook webpage, which is intended to provide employees with current information regarding the County's policies and practices. The posting of outdated and incorrect material can mislead employees and supervisors, creating confusion regarding current benefits, policies and procedures. Specifically, the Volume 13, Chapter 3, Workers' Compensation Procedures document posted is dated June 4, 1987, and includes outdated policies such as provision of up to eight weeks/320 hours of disability leave benefit to employees for workers' compensation injuries. This benefit was discontinued over four years ago and is no longer provided to employees for injuries occuring after October 1, 2013.

RMD states it has updated its current County Administrative Policies and Procedures (CAPP) document, but the CAPP has not yet been approved and made available on the County website. This draft document, which states an effective date of January 1, 2015 and a reviewed date of July 26, 2017, is still pending approval by FASD as of February 20, 2018. Instead of providing employees with these updated procedures for reference, the noted outdated ICH documents remain posted on the County's website.

We recommend management take action to finalize and approve updated CAPP documents for RMD, and post same on the County website, removing outdated policies that can be misleading to County employees.

4. The County Should Consider Providing Additional Disability/Fringe Benefits to Employees Who Experience Work-Related Injuries Consistent with Peer Counties

The County's current workers' compensation policy does not provide Broward County employees who are injured on the job after October 1, 2013, with a disability benefit providing for paid leave to attend medical appointments or, in some cases, for initial days of work missed due to their injuries. Instead, employees are required/allowed to use their own available sick or vacation leave for such absences. It is only when an employee is absent for seven consecutive days or more does the individual become eligble for indemnity payments for 2/3 of their regular compensation (this amount may also be supplemented to full compensation levels by use of available leave balances, at the employee's choice). This practice can have significant detrimental financial impacts on employees who suffer a legitimate workplace injury, through no fault of their own, and who were performing their job duties in good faith.

According to Florida Statutes governing workers' compensation, the County is not required to provide compensation to an employee until their injury causes the employee to miss more than seven consecutive days from work. Further, Florida Statutes only require compensation for absences from work after this point to be at 2/3 of their usual base pay. Consistent with state requirements, the County allows employees to supplement the hours missed from work, or reductions in their usual pay, through use of their own earned leave balances.

However, while it is acknowledged that the County's practices are consistent with State requirements, the County's actions are not consistent with other peer Florida counties we surveyed. As shown in Figure 12, Palm Beach County and Orange County do not require employees to use their personal sick leave for the first seven days of leave, and Miami-Dade County provides a short term disability leave to restore an employee's leave balances beginning on the first day of lost time, up to 240 consecutive lost days, if the employee has not violated any safety rules and the work related injury is medically verified. Additionally, Broward County requires employees to use their own leave balances for time used for medical appointments, while peer counites appear to cover this as a benefit.

Figure 12: Broward County Workers' Comensation benefits are compliant with State requirements, but are less robust than surveyed peer counties.

Entity	Paid Leave Benefits for Absence Due to Medical Appointments	Paid Leave Benefits for Absence from Work	Employee Use of Leave to Supplement WC Appointments and/or Indemnity Payments
Florida Statute	Not required.	Employees are eligible for indemnity benefits (66 2/3% of regular pay) after 7th day of absence due to injury. Indemnity benefits are not required to be paid for first 7 days of disability, unless disability is more than 21 days.	Allowed
Broward County	Not provided as a benefit.	Benefits are compliant with Florida Statutes.	Allowed
Palm Beach County	After returning to work, sick leave is not charged.	Normal salary is paid for first 7 days absence.	Allowed
Orange County	After returning to work, up to three hours per day is allowable.	Normal salary is paid for first 7 days absence.	Automatic
Miami-Dade County	Short term disability leave fringe benefit use allowed for up to 240 consecutive lost days.	Normal salary is paid for first 7 days absence. Short term disability leave fringe benefit use allowed for up to 240 consecutive lost days.	Automatic, unless employee 'opts' out.

Source: Office of the County Auditor research

It is further noted that prior to October 1, 2013, the County provided up to eight weeks (320 hours) of disability leave for eligible employees with a work related injury. Employees could use this leave to pay for their time away from work due to the injury or related medical appointments, or to supplement reduced wages in the case of a more serious, longer term injury. This previous, but discontinued, policy is more consistent with peer counties, and appears to present a more appropriate and equitable approach to employees who are already experiencing the negative effects of their injury, without the additional potential financial burden of lost wages.

We recommend management review its current workers' compensation benefit policies to consider providing employees with work related injuries that are medically verified and do not

violate any County safety policies with reasonable and equitable benefits, similar to other Florida peer counties.

5. RMD Should Improve Claims Management Practices Related to Initial Employee Notices and Documentation of Appropriate Follow-Up Activities

We reviewed a sample of 15 claim files and associated medical bills to determine if RMD is administering its workers' compensation program in complaince with applicable laws and best practices. During this review, we noted the following concerns:

A. RMD did not comply with Florida Statutes, Section 440.185(2), which requires all injured employees (or their estates) to be provided with a copy of the First Report of Injury (FROI) form (DWC-1) within seven days of the employer's knowledge of the injury. In 100%, or all seven claims reviewed in which a report of injury form was completed during our review period, RMD did not send a copy of the notice to the injured employee, although the form was available in the case file.

   According to Florida Statutes, Section 440.185(2), within seven days after actual knowledge of injury or death, the employer shall report such injury or death to its carrier, and shall provide a copy of such report to the employee or the employee's estate. In addition to improving its practices to achieve compliance with this requirement, RMD should also provide employees with a copy of this form to ensure the correct information has been documented, and so the employee can have a copy of this important form for their records.

B. In two of ten, or 20%, of applicable claims reviewed, RMD did not send the injured employee required information regarding WC rules, rights and responsbilities within the three day time frame required by Section 440.185(3), Florida Statutes. The Statute specifically requires that within three days after employee reports an injury, an approved informational brochure shall be mailed to the injured worker, that sets forth explanation of the rights, benefits, and procedures for obtaining benefits and assistance, criminal penalties, and obligations of the injured worker and their employers under the Florida Workers' Compensation Law.

   It is important that claimants receive such information in a timely manner to ensure the protection of their rights under law, as well as to inform them of possible consequences of improper actions.

   It is noted that such brochures were mailed to employees, although not within the required three day timeframe; instead, the two brochures were mailed at four and five days after the report of injury.

C. We noted instances of incomplete claim file documentation by the Claims Adjusters for follow up activities conducted with employing Divisions, as follows:

i. In three of nine, or 33%, of applicable claims reviewed, no follow up activity was recorded in the claim notes regarding the status of Claim Adjusters' requests to the employing Divisions for photographs or video recordings of the employee accident. Although requests were made for such material, the file did not contain notes to state if the material was not available (for example, not all locations are video-taped), or if the requested information was received from the Divisions, and what the results were when the material was reviewed by the Claim Adjuster. Obtaining and reviewing such evidence can be an important step in determining if the claim is compensable (i.e., work related), or in the mitigation of unsafe conditions/practices.

ii. In two of four, or 50%, of applicable claims reviewed, no follow up activity was recorded in the claim notes regarding the employees' potential light duty assignment. When a physician recommends certain physical restrictions (such as limitations on heavy lifting, driving, or outdoor activities) due to an injury, this may impact an employee's ability to perform their regular assigned job duties. In our claims review, we noted physical restrictions were recommended by the attending physician for four claims; however, in two claims, the assigned Claim Adjusters only noted if the employee returned to work, and no follow up notes were found acknowledging whether or not an accomodation was needed for the employee, and if so, what actions were taken by the employing Division. This information can be important to ensure appropriate precautions are taken, if needed, to protect the employee from additional injury, and to protect the County against potential additional liability.

We recommend management:

A) Implement practices to ensure employees are sent Report of Injury forms in accordance with the state statute.
B) Implement practices to ensure timely delivery of informational brochures to injured employees, in accordance with state statute.
C) Improve file documentation practices to ensure all information relevant to claims management activities is recorded within each claim file, including obtaining relevant follow-up information from employing divisions.

6. Formal and Detailed Agreements Should Be Executed with Entities for Which County Provides Workers' Compensation Coverage and Services

During our review of agreements with other entities for which the County provides Workers' Compensation coverage and services, we noted the following concerns:

A. Broward County RMD provides workers' compensation coverage and administration services to the Supervisor of Elections (SOE) for approximately 7,500 employees and volunteers; however, there is no formal agreement detailing significant terms and conditions, including the rights and obligations of each party, payment terms or appropriate legal protections.Based upon information provided to us by RMD, the only documentation of any agreement with SOE was a "Government Service Database Date Entry Form," stating a verbal agreement was created in 1978, nearly 40 years ago, for workers compensation coverage to be provided by Broward County, on a continuous basis.

   Without a formalized and detailed agreement or memorandum of understanding between Broward County and the Supervisor of Elections, neither party has clear directives regarding their rights or responsibilities to each other, or the nature of any financial obligations. This circumstance creates an environment for potential disagreements or legal disputes between the parties.

B. The County's agreement with the Clerk of Court is not adequate or current. Broward County's agreement with the Clerk of Court regarding the provision and payment for workers' compensation services is contained within a brief paragraph in a Letter of Understanding (LOU) for Provision of Legal Services, between the two entities, which is over 20 years old. The LOU is dated May 30, 1995, and provides summary information noting that the County will provide legal services to the Court Administrator to the same extent that legal services are provided to County Departments. The paragraph relevant to workers' compensation states that the Court Administrator's Office contributes to the County's self-insurance fund, and that the County Attorney will provide coverage for insurance related issues such as workers' compensation, general liability and fleet maintenance liability.

   It is prudent to periodically review such inter-governmental agreements to ensure all terms and conditions are appropriate and updated to reflect current practices. County management should also undertake a process, as considered in the agreement, "to [e]nsure that the Court Administrator's Office has proper policies and procedures in place to protect the County's interests and limit exposure."

We recommend management take appropriate actions to ensure that all agreements for the provision of workers' compensation services to external entities reflect a clear understanding of each parties' responsibilities. Management should:

A) Formalize terms and conditions of any understandings between the County and SOE regarding workers' compensation coverage, costs and services.

B) Update and better define the terms and conditions by which the County provides workers' compensation services to the Clerk of Court.

7. The WC Section Should Have a Written Procedure Manual to Guide Employees

The Workers' Compensation Section does not have a written procedure manual for Claim Adjusters and other staff to use as a reference guide on how to properly perform their day to day duties.

In response to our concerns, RMD Managers stated that a compehensive one-on-one training is provided to new hires on how to perform their job functions including the use of applicable Information Management Systems for which user manuals are available. Additionally, WC Claim Adjusters are licensed and receive ongoing continuing education.

While these practices and resources are recognized as valuable, without an approved written procedure manual, employees lack a single guiding reference tool to help ensure the consistent and proper performance of daily claim management activities.

We recommend management develop a written desktop guide for workers' compensation activities, which provides section employees with a single reference point for training purposes, as well as the day to day performance of their job responsibilities.

8. Medical Bills Should be Posted to the Correct Claims

We observed one of 21 (5%) medical bills reviewed, which was posted to the incorrect claim. Specifically, the employee who received the services had two claims, one open and one closed. The bill was incorrectly posted to the closed case instead of the open case. It is important to assign costs to the appropriate claim, so accurate expenses are recorded, and appropriate reserve amounts are established.

We recommend management ensure medical bills are posted to the correct claim.

APPENDIX – MANAGEMENT RESPONSE

BROWARD COUNTY FLORIDA
BERTHA W. HENRY, County Administrator
115 S. Andrews Avenue, Room 409 • Fort Lauderdale, Florida 33301 • 954-357-7362 • FAX 954-357-7360

MEMORANDUM

To: Robert Melton, CPA/CIA/CFE/CIG, County Auditor

From: Bertha Henry, County Administrator

Date: April 25, 2018

Re: Management Response to Audit of Risk Management Division, Workers' Compensation Section

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The Finance and Administrative Services Department's Risk Management Division has reviewed the County Auditor's Audit Report on the Workers' Compensation Section and submits the following as management's response.

First, it is noted that the overall conclusion is that "payment and program administration activities are in accordance with appropriate laws", which the Auditor's Office has indicated is the best conclusion for an audit. Notwithstanding, there are eight opportunities for improvement included within the report, which are addressed herein.

Opportunities for Improvement

1. **Additional Controls are Needed to Prevent the Payment of Potentially Fraudulent Prescription Charges**

Management agrees in part with this recommendation. This opportunity for improvement appears to be the result of $14,034 in questionable charges being billed by Sentrix Pharmacy on Claim [redacted]. Based on existing controls in place, the claims manager brought the questionable charges to the auditors' attention. Specifically, the claims manager reviews monthly prescription (Rx) reports provided by Broward County's workers' compensation administration vendor, Amerisys, to identify questionable charges.

The Risk Management Division (RMD) has taken many other steps to control its workers' compensation pharmacy costs, including using a contracted pharmacy benefit manager, myMatrixx. Outliers (charges not billed through myMatrixx) are identified in this report. Over the last five fiscal years, the County's workers' compensation adjusters have addressed treating physicians, who are dispensing medication from their offices; settled claims where prescribing physicians refused to cooperate; discontinued the future use of offending physicians; and assigned One-Drug-Reviews through myMatrixx to aid in the reduction of costs. Efforts over the last five fiscal years have brought down the average monthly prescription expense from $47,456 (FY13) to $28,758 (FY17), a 39% average monthly decrease.

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Reports run at the auditors' request confirmed that this was the only time the workers' compensation program was billed by this pharmacy benefit manager. This incident had been reported to the Division of Insurance Fraud, Department of Financial Services and referral number T18-2372 was assigned. Notwithstanding the existing controls, the County has now implemented additional controls through myMatrixx that block all future billings from this vendor. Full reimbursement demands from Sentrix Pharmacy were made on January 12, 2018 and February 20, 2018.

Additionally, RMD has requested additional system controls by myMatrixx, such as alerts to the claims manager regarding topical compounds, delayed dispensing and out-of-network billings for the claims manager's review and action.

2. **Manually Requested Payments Should be Reviewed by the WC Manager and Approvals Should be Documented Prior to Release of Payments**

Management agrees with the recommendation. This opportunity for improvement appears to be the result of two disbursements that were paid without the claims manager's signature. First, it should be noted that these disbursements were subsequently reviewed and payment was appropriate. Manually input payments are reviewed daily by the workers' compensation claims manager. Documentation to support each payment is required, reviewed and supervisory signature applied before payments are released for check printing. If the claims manager is absent, the liability claims manager or the assistant director is delegated this responsibility. Additionally, RMD's information technology and accounting staff will be required to ensure that appropriate supervisory signatures are present prior to any disbursements.

3. **The County's Webpage and Intranet Site Should Provide Employees with Updated Workers' Compensation Policies and Information**

Management agrees with the recommendation and has updated the County's website with an updated County Administrative Policies and Procedures (CAPP) addressing workers' compensation.

4. **The County Should Consider Providing Additional Disability/Fringe Benefits to Employees Who Experience Work-Related Injuries Consistent with Peer Counties**

Management disagrees with this policy recommendation. The audit report appears to support offering a greater workers' compensation benefit than what is required by state law. As indicated in the report, Broward County previously had a policy that was more generous than state law. Unfortunately, the County's experience has been that such policies tend to incentivize employees to stay out of work longer which was very costly and subject to abuse. Based on these factors, the County opted to follow state law and negotiated these provisions out of all County labor agreements and instead has focused on offering a myriad of other benefits for employees, including maintaining affordable health insurance, adding paid parental leave, reinstituting tuition reimbursement, etc.

In addition, staff has discussed with numerous neighboring municipal agencies where additional disability benefits are being provided. Those employers are experiencing the same difficulties

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that Broward County once experienced with the delayed return of their work forces until after additional disability benefits are paid.

Broward County administers Florida Statute 440 as written. Those with minor injuries are encouraged to return to work immediately as the first seven calendar days is a statutory waiting period. Employees that are out of work for 21 days are compensated for the first seven days of their injury. Light duty allows the employees to continue at full-duty wages while continuing their job for the County and in a productive position. This process of light duty is always under the direction and care of the treating physician and within the appropriate physical restrictions.

It should also be noted that the County offers significant sick leave and other leave benefits that can be utilized by an employee to maintain their salary during this time, if they so choose.

For the foregoing reasons, Management believes the current policy of following state law should be continued.

5. RMD Should Improve Claims Management Practices Related to Initial Employee Notices and Documentation of Appropriate Follow-Up Activities.

Auditors recommend improvement in administering the workers' compensation program in compliance with applicable state laws and the County's own best practices. Specific mention was made to: (A) send a copy of the First Report of Injury to employees; (B) mail informational brochures within three days; and (C) improve adjuster follow up with client agencies regarding needed photographs, videos and injured employee return to work confirmation.

Management agrees that it must comply with state statute and can improve on following up on its file documentation. To that end, Management has taken the following steps:

(A) Report of Injury Forms - The First Report of Injury is now included with each informational brochure.

(B) Timely Mailings of Informational Brochures - To address the timeliness of mailings due to absences of assigned staff, two additional administrative assistants have been trained and act as backups when the administrative assistant assigned to the Workers' Compensation Section is on leave. This measure should assist in complying with the State's three-day mailing requirement of the informational brochures.

(C) File Documentation - There is no statutory requirement on file documentation. It is the County's own best practices that require documenting the file with photos, videos and return-to-work confirmations. The County's best practices are more stringent than the insurance industry and other local government agencies.

County adjusters are held accountable for numerous activities pertaining to coding, contact, investigation, recoveries, reserving, medical/disability management, litigation and diary control. Best practices apply to all the County's incoming claims against the insurance industry's practice of applying the same best practices to only claims where the seven-day waiting period has been exceeded. The claims manager, at a minimum, performs a quarterly review of all open claims until they are concluded. In addition, nine random best practice evaluations are performed per

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month. The results are shared with the respective claims adjusters and administrative assistant. Training is provided when scores drop below a 90%. Best practices were implemented in December 2012. As a result, current scores fluctuate from 85% to 100%. Claims adjusters will be reminded to continue to require documentation from the agencies and strive for 100% compliance.

6. Formal and Detailed Agreements Should Be Executed with Entities for Which County Provides Workers' Compensation Coverage and Services

Management agrees with the Auditor's recommendation and will work with the County Attorney's Office to review and generate new agreements for all entities that are provided workers' compensation coverage and services by the County's Risk Management Division.

7. The WC Section Should Have a Written Procedure Manual to Guide Employees

Management partially agrees with the Auditor's recommendation. While adjusters do not have a written desktop guide for worker's compensation activities as a single reference point, they are provided with various other resources, including one-on-one training, written documentation from the Clear Insight® Enterprise Risk Management Information System (RMIS) to document each part of a workers' compensation claim, and ongoing continuing education. Notwithstanding, management will consider the development of a single-source, written desktop guide for workers' compensation activities, in light of other work-related priorities.

8. Medical Bills Should be Posted to the Correct Claims

Management agrees that medical bills should be posted to the correct claim, but does not agree that one observation is indicative of a problem. Broward County's workers' compensation program averages 720 medical bills per month (over 8,600 annually) that are timely paid and electronically transmitted to the State, consistent with applicable statutes. During the five-year tenure of the current claims manager, the County's timely bill payment performance has not dropped below 98%. Some employees were injured on multiple occasions that sometimes involved the same body part and many times are treated by the same physicians. Amerisys and the assigned Broward County claims adjuster perform thorough reviews to ensure that a claim is paid from the proper date of accident. In the event a bill is assigned to an incorrect date of accident, the bill is moved to the correct claim as was the one example used in this Audit Report.

c: Monica Cepero, Deputy County Administrator
Andrew Meyer, County Attorney
George Tablack, Chief Financial Officer
Kevin Kelleher, Deputy CFO/Deputy Director, Finance and Administrative Services Department
Roger Moore, Assistant Director, Risk Management Division
Jeff O'Connor, Claims Manager (Workers' Compensation), Risk Management Division