Middle Country Central School District

Review of Workers' Compensation

For the 2024-2025 school year

CERINI & ASSOCIATES LLP
CERTIFIED PUBLIC ACCOUNTANTS

November 2024

The Board of Education
Middle Country Central School District
8 43rd Street
Centereach, NY 11720

Board of Education:

We have been retained to function as the internal auditor for the Middle Country Central School District (hereinafter, "the District"). Our responsibility is to assess internal control systems in place within the District, and to make recommendations to improve upon possible control weaknesses or deficiencies. In doing so, we hope to provide assurance to the District's Board, management, and residents that the fiscal operations of the District are being handled appropriately and effectively.

BACKGROUND:

Workers' compensation insurance is mandatory for most employers of one or more employees and can be an expensive cost of doing business. It is meant to protect employers from liability for on-the-job injuries/illnesses and provides:

- Legal representation for the employer by the insurance carrier,
- Protection for the employer against most lawsuits for on-the-job injuries/illnesses,
- Payment of medical services needed to treat the job injury or illness,
- Temporary payments to the employee to help replace lost wages,
- Payments to the employee to compensate for permanent effects of the injury, and
- A death benefit for the employee's survivors in the event of a fatal injury.

Depending on contractual agreements, some districts are required to pay employees their full salary as part of their workers' compensation benefits.

SCOPE:

The purpose of our review was to assess whether the District has established adequate procedures and internal controls surrounding workers' compensation, maintained appropriate records and is compliant with workers' compensation regulations. To perform our review, we reviewed the District's workers' compensation related policies and interviewed key district employees in Human Resources (HR), the business office, and buildings and grounds to gain an understanding of how the District documents, tracks, and pays workers' compensation claims. We also reviewed a sample of the claims paid by the District's third-party administrator ("TPA") Wright Risk Management (WRM) and performed testing to assess whether claims paid to employees are adequately supported and reviewed. Lastly, we performed various analyses of the claims data obtained and maintained by the District's TPA, including the frequency of claims, the timing of claims, and the costs related to claims. It should be noted that effective July 1, 2024, the District switched its TPA to PMA Companies.

RESULTS OF REVIEW:
Based on the review performed, the District has implemented internal controls to comply with workers' compensation regulations and ensure claims paid are adequately reviewed and supported. We did note some opportunities where internal controls could be improved. The detailed results of our review are documented below.

I. ANALYSES:
As part of our review, we analyzed the claims data maintained by the District and its TPA (past and current). We obtained the internally prepared injury logs from January 1, 2019, through December 31, 2023, from the District to provide claim statistics by month, work location, causes and types of injury. Upon initial review, we noticed anomalies in the data. After further investigation, we noted that these anomalies were a result of incomplete injury logs. We requested that District staff review these injury logs for completeness, and as a result, the District was able to subsequently update one year, 2020. Furthermore, (also noted in Section II - Issue 2), employees separated from the District had been removed from these logs. Therefore, while current year over year data appears to fall in line analytically and is likely a representative sample, there is a high likelihood that the injury logs for all years do not represent a complete population of District staff injured each year.

The District had worked with TPA, *Wright Risk Management*, for over ten (10) years. It should be noted that switching to its new TPA, *PMA Companies* (effective July 1, 2024), has already led the District into adopting a number of positive procedural changes. (We reference these changes in greater detail in Section II.)

Workers' Compensation Claims by Year

Month	2019	2020	2021	2022	2023	Total
Jan	22	22	7	14	10	75
Feb	13	16	12	14	24	79
Mar	14	8	8	9	15	54
Apr	23	-	13	8	11	55
May	6	-	12	8	22	48
Jun	12	1	5	8	7	33
Jul	5	4	3	14	5	31
Aug	4	3	6	3	7	23
Sep	14	9	18	24	20	85
Oct	20	7	19	12	5	63
Nov	3	6	22	16	4	51
Dec	10	9	9	5	4	37
	146	85	134	135	134	634

*Note: this chart is representative of all district employees, including 10-month positions

There were 634 injuries recorded on the District's logs since January 1, 2019. Based on historical data, most injuries occur in January, February, and September (i.e., more than 70 claims) and the least injuries occur in July and August (i.e., less than 33 claims).

Count by Injury Location (2023)	
Abdomen	**4**
Arm	**18**
Back	**11**
Chest	**2**
Eye	**2**
Face	**9**
Foot	**5**
Hand	**16**
Head	**11**
Hip	**3**
Knee	**12**
Leg	**12**
Multiple	**22**
Shoulder	**6**
Wrist	**1**
Grand Total	**134**

During 2023, there were 134 reported injuries. The most prevalent injury body parts were "multiple body parts", "arm," and "hand".

The employee type reporting the most injuries during 2023 was the teacher category with 38 claims. The next two highest employee categories were teaching assistants and teacher aides with 31 and 29 injuries, respectively.

Job Title (2023)	# of Employees Injured	Total # of employees *	% Injured
Clerical	**5**	**90**	**6%**
Coordinator	**1**	**50**	**2%**
Cust	**11**	**90**	**12%**
Grounds	**4**	**19**	**21%**
Mechanic	**3**	**9**	**33%**
Monitor	**1**	**67**	**1%**
Nurse	**2**	**22**	**9%**
Principal	**2**	**15**	**13%**
Psych	**3**	**12**	**25%**
Sub	**4**	**18**	**22%**
Teacher Aide	**29**	**210**	**14%**
Teaching Asst.	**31**	**184**	**17%**
Teacher	**38**	**648**	**6%**
Grand Total	**134**	**1,434**	

*Note: the employee counts reflected here is an average using the fiscal year 2023 and 2024 contract and rate reports

Injuries Reporting by Building Location (2023)	
Eugene Auer Elementary	**19**
Bicycle Path PreK/K Center	**3**
Centereach High School	**22**
District Administrative Office	**2**
Dawnwood Middle School	**11**
Hawkins Path Elementary	**1**
North Coleman Road Elementary	**20**
Newfield High School	**10**
New Lane Elementary	**8**
Selden Middle School	**8**
Stagecoach Elementary	**17**
Transportation	**2**
Unity Drive PreK/K Center	**11**
Grand Total	**134**

On a location basis, we noted that the greatest number of reported claims were derived from Centereach High School & North Coleman Road Elementary School with 20 and 22, injuries reported respectively, during 2023.

Analyzing accumulated workers' compensation claim data can be a powerful tool for the District to enhance safety, mitigate its risks and manage its costs effectively. Examining the frequency of claims over time can help the District identify trends. For example, a rise in claims during certain months or seasons can indicate specific risks or unsafe conditions. Analyzing types of injuries reported can help identify common hazards. Frequent claims related to slips and falls might suggest issues with flooring or maintenance. Knowing which departments or job types have higher incidences could indicate that some jobs are more hazardous and may require different interventions or tailored safety training.

II. INJURY REPORTING PROCEDURES:

As with most school districts, the District self-funds its employee benefit plans, including workers' compensation. Self-funded employee benefit plans open districts up to the risk of assuming 100% of the liability for losses that may arise. Currently, the District is insured under a stop-loss/excess insurance policy to limit its exposure, especially in instances where workers' compensation benefit payments may extend for several years or the lifetime of an employee.

When a District employee is injured, they are required to go to the school nurse who completes an accident report. The workers' compensation clerk receives a copy of the accident report, enters the information into her internally created Injury Log as required by the Occupational Safety and Health Administration, and files a report with the District's insurance carrier and TPA. Most of these injuries do not result in lost time and do not become workers' compensation cases. During the 2023-2024 school year through May 1, 2024, there were only three (3) employees out on workers' compensation. The clerk also coordinates with the TPA to ensure that all required forms are completed. The *Employer's Report of Injured Employee's Change in Employment Status Resulting from Injury* (Form C-11) is required to be filed anytime an employee goes out of work, returns to work, has a change in the hours worked or in wages related to a worker's compensation claim. An employee on workers' compensation can incur lost time and will require the District to file an *Employer's Request for Reimbursement* (Form C-107) and an *Employer's Statement of Wage Earnings*

(Form C-240). Under current interpretations of Section 25 of the Workers' Compensation Law, in cases involving temporary disability, an employer may not recover more than the compensation benefit rate for the period during which compensation or wages were advanced, nor may there be any reimbursement for the first week if the disability does not exceed two (2) weeks.

We assessed the following District employee type contracts regarding its workers' compensation and sick leave terms:

- administrator
- clerical
- custodial
- paraprofessional
- security
- teaching assistant/teachers aid
- teachers
- operations
- transportation

All the contracts except for the teacher, teacher's aide and teaching assistant contracts require the employees to exhaust their accumulated sick days first and then file for workers' compensation or remain unpaid. The employee can then reinstate his/her sick leave by purchasing it on a prorated basis with monies received from the compensation case. These terms protect both the employee and District while discouraging an employee from filing a fraudulent or exaggerated workers' compensation claim.

However, the teacher, teacher's aide and teaching assistant contracts state that absence due to injury or illness incurred in the course of employment shall not be charged against the employee's sick leave days. In addition, the contract states that employees in this contract group are entitled to receive 180 days' pay. The District has 3 employees that are out due to an injury and receiving full pay. After a year of absence, the contract states that employees are required to make a claim for workers' compensation if they wish to remain on leave.

> ***Auditor's Comment:*** *As the District enters the next negotiation process, it should assess the feasibility of decreasing the amount of time teachers/teaching assistants are allowed to be out with full pay before filing a workers' compensation claim. Employee contracts that allow for a full-year leave with pay and no loss of sick time can be financially burdensome as the District is likely to require paying for a substitute as well as paying for health insurance. We encourage the District to evaluate the total costs associated with these contract terms including the claimant's payroll and benefits costs, the costs of temporary replacements, and the impact on staffing and student services.*

If an employee decides to file a workers' compensation claim, the District's TPA will investigate the claim to determine its validity. The TPA discusses the injury with the employee and requires the employee to complete a questionnaire. If no issues are found, the employee will receive a portion of their pay through the District's self-funded workers' compensation plan until the employee is able to come back to work. Additionally, for those employees that were required to use their paid time off, when the claim is deemed to be valid, the TPA will reimburse the District for a portion of the payments made to the employee and the employee will receive a portion of their paid time off back. The District receives medical evaluations every six (6) weeks and will request surveillance should they suspect workers' compensation abuse or a false claim.

Employees are only permitted to return to work if they can return without restrictions. District procedure is to have employees return only if they are 100% cleared to return to work in their original position (i.e., doctor's note giving authorization to resume duties without limitations) and will not accept any form of "light duty" while the injured employee fully recovers.

III. PAYMENT PROCEDURES

As with most other districts, the District employs the services of a TPA to handle the review and payment of claims related to workers' compensation. The District's workers' compensation clerk submits all injury reports to the TPA. Those injuries that result in a true workers' compensation claim are then serviced by the TPA. All medical bills associated with the injured employee's workers' compensation claim are reviewed by the TPA. Other payments reviewed by the TPA include indemnity, legal and other costs pertaining to claims, as well as contractual fees for medical bill audits. Each Tuesday, the accounts payable clerk receives copies of checks and ACH payments related to the above fees that are queued by the TPA to be funded by the District's workers' compensation account. These payments are then reviewed by the District's internal claims auditor who ensures that the proper CPT billing codes have been used and fees are only paid to TPA approved law firms and doctor offices. Should the self-insured fund require replenishment prior to full payment of the claims, invoices are reviewed by accounts payable to approve the replenishment.

The District pays an annual fee to its TPA on a monthly basis for administrative and claims management services. Under the agreement with the TPA, the TPA will, among other services:

- Design and implement an internal claims reporting system
- Review reported claims to determine if an investigation is needed
- File all forms required by the Workers' Compensation Board ("WCB")
- If it is determined that the claim is not compensable, or if the injury is not of the nature or extent claimed by the employee, the claim will be challenged, and a file is prepared for argument before WCB

As part of our audit, we reviewed the February 21, 2024, claims audit packet for workers' compensation payments. We selected a sample of twenty-two (22) payments to ensure charges were properly reviewed and approved by the TPA and the District's internal claims auditor. We also reconciled the employee payments to the District's internal injury log to ensure the validity of the payments.

> **Issue #1:** The workers' compensation clerk is not currently reviewing workers' compensation payments. Additionally, the District's internal claims auditor is not currently verifying that the employees being paid are listed on the District's internal workers' compensation support.
>
> **Risk:** If workers' compensation payments are not reviewed to ensure they pertain to only eligible District employees, the District risks erroneous claim payments to non-District employees.
>
> **Level:** Low

Recommendation: We recommend the District implement a formal review process whereby the workers' compensation clerk reviews the list of payments queued by the accounts payable clerk to her internal injury log to ensure all charges are associated with eligible District employees. The workers' compensation clerk should then provide the claims auditor with a list of injured employees so the claims auditor can verify charges are valid during the claims audit process.

Management's Response: *The Worker's Compensation Clerk has started to review payments as well as provide a list of injured employees to the Claims Auditor.*

Planned Completion Date: *10/1/24*

IV. WORKPLACE SAFETY:

Custodial staff in the Buildings and Grounds department perform inspections of the District's buildings and outside grounds areas and will document any issues in their work order system that require repair. District staff attend various safety training courses throughout the year. In addition, the District maintains several policies that address safety including:

- *8110 - School Building Safety,*
- *8112 District-wide Safety Committee,*
- *8130 School Safety Plans and Teams,*
- *8130.2 Workplace Violence Prevention & Employee Incident Form, and*
- *8220 Buildings and Grounds Maintenance and Inspection*

These policies ensure buildings and grounds are maintained, staff is not exposed to hazardous conditions, documented protocols for reporting incidents and detail explaining how reported data will be used to improve the safety and security of students, staff and visitors. We commend the District for its efforts to implement workplace safety procedures and policies.

We would like to thank the District's staff for their cooperation and professionalism during our audit.

We understand the fiduciary duty of the Board of Education, as well as the role of the internal auditor in ensuring that the proper control systems are in place and functioning consistently with the Board's policies and procedures.

Should you have any questions regarding anything included in our report, please do not hesitate to contact us at (631) 582-1600.

Sincerely,

Cerini & Associates LLP

Cerini & Associates, LLP
Internal Auditors