

## Audit Reform Brief: Self-Insurance - Update

June 30, 2016

### Where are we at?

In 2015, the Self-Insurance Audit Program and Self-Insurance community took part in a Tier 1 Audit Pilot where the area of focus was the calculation of an injured workers base monthly wage which is the basis for providing Workers Compensation Benefits to the worker. The statistics for the calendar year ending 2015 were 168 audits initiated, 168 completed, with an overall pass rate of 60%.

We learned a lot in 2015 about the new T1 audit model, specifically; what worked, what did not work, and areas overall that we would like to continue to develop and focus on moving forward. There are approximately 166 employers left to finish the Tier 1 Pilot. From January to October of 2016 the focus is to complete the remaining employers and continue development of Tiers 2, 3 audit processes and SIRAS development efforts.

### Current Statistics for January, 2016 through June, 2016

<b>Audit Statistics</b>	
<b>Total Audits Initiated</b>	<b>67</b>
<b>Phase of Audit</b>	
Planning	2
Fieldwork	46
Finalization	19
<b>Total</b>	<b>67</b>
<b>Walkthrough of Audit Results</b>	
Total Walk-Throughs Declined	0
Total Walk-Throughs Pending	7
Total Walk-Throughs Completed	15
<b>Total</b>	<b>22</b>
<b>Employer Pass/Not Pass</b>	
Passed (70% threshold)	12
Not Passed	10
<b>Total</b>	<b>22</b>
<b>Claims Reviewed/Reported</b>	
Total Claims Reviewed	122
Total Claims Reported	121
<b>Audits Completed</b>	
Total Audits (No Audit Eligible Claims)	0
Total Final Reports Issued	<b>9</b>

Key Performance Indicator's (KPI's) for 2016

**Direct Hours** – Measures the percentage of gross hours used in providing client services (i.e. actual audit work).

2016 Goal – **68%** Actual – **70%**

**Red Book Standards<sup>1</sup>** – Measures the percentage of services satisfying Red Book requirements using a two-level quality assurance review process.

2016 Goal – **99%** Actual – **100%**

**Client Satisfaction** – Measures the percentage of clients who, based on their experience during the audit, report being satisfied with the service they received.

2016 Goal – **75%** Actual – **90%**

Opportunities/Resolution

<b>Opportunities</b>	<b>Resolution</b>
Audit Production	346 Total Employers under Pilot. 168 were completed and 12 employers had no eligible claims in 2015. In 2016 that leaves 166 employers. 67 have been initiated and 29 employers have no audit eligible claims. Leaving 70 employers left to be initiated between now and September 30, 2016.
Tier 2, 3 and SIRAS Development	Audit staff is currently working on procedures for Tier 2 audit process. Audit supervisors have been involved with the SIRAS development efforts.
Lean and Process Improvement	Currently working on 3 of 5 action items left to implement. MFD procurement, Office Support Utilization, and New Audit Management System. Communications and Vacancies have been completed.

Staff contact

Brian Schmidkofer, Self-Insurance Compliance Operations Manager (360) 902-6839

<sup>1</sup> The International Professional Practices Framework (IPPF) aka *Redbook* is the conceptual framework that organizes Authoritative Guidance published by the Institute of Internal Audit for auditors.