

## 2019-106 AUDIT SCOPE AND OBJECTIVES

### State Agencies' Management of Workers' Compensation Claims

The audit by the California State Auditor will provide independently developed and verified information related to management of workers' compensation claims by the State Compensation Insurance Fund (State Fund) and any third-party administrators on behalf of four state agencies—the California Department of Forestry and Fire Protection, the California Department of Transportation, the Department of Social Services, and the California Highway Patrol. The audit's scope will include, but not be limited to, the following activities:

1. Review and evaluate the laws, rules, and regulations significant to the audit objectives.
2. For each of the four departments and State Fund, evaluate the intake process for employees filing workers' compensation claims to identify areas of strength or weakness.
3. Review each department's policies and practices for handling workers' compensation claims in order to do the following:
  - (a) Determine whether the departments are complying with key requirements in the law for reviewing and processing claims. To the extent that the departments outsource these duties, assess the departments' oversight of contractors' performance.
  - (b) Compare and contrast the departments' policies and practices to identify the most effective ways to handle workers' compensation claims.
4. Identify any best practices the departments have implemented for setting their reserve amounts for claims.
5. To the extent possible, evaluate whether State Fund and the departments efficiently and effectively care for employees receiving workers' compensation by doing the following:
  - (a) For a selection of claims, assess whether workers' compensation claims are processed in a timely and appropriate manner.
  - (b) Calculate the average rate of completion for each department's claims and compare those rates to industry standards.
6. Evaluate loss run reports focusing on total incurred costs, total benefits paid, and outstanding reserves for all open claims, including reports on those claims that have been open for more than a year and those that have been open for more than two years.
7. Review and assess any other issues that are significant to the audit.