

# Current methodology for focused performance audits

## History

The Workers' Compensation Division (WCD) has replaced its former audit programs that monitored insurer and self-insured employer claims-related activities with a more flexible, risk-based methodology.

WCD has moved to a methodology with two major components:

- **Focused audits** – emphasizing specific performance areas
- **Annual audits** – focusing on timeliness of benefit payments and processing actions

The changes do not affect the current self-insured employer claims reserve audit.

## Focused audits

In addition to the annual audits of key timeliness areas, the division's audit activities are shifting to focused audits. These are topic-specific audits directed towards particular performance areas.

WCD determines the topics and scope of the focused audits based on a number of factors, including:

- Industry and individual company performance
- Trends and problems identified across WCD programs and work processes
- Department policy and program decisions
- Complaints and inquiries received by the department
- The need to establish baseline performance in areas in which we do not currently audit
- Direction from the Legislature or the Management-Labor Advisory Committee

This approach helps WCD to be quick and flexible in generating more current information, and develop each audit based on needs, instead of cyclical program audits that do not change. Many audits will be industrywide, but we will also use audits to focus on specific poor performers as one way of encouraging them to improve performance. The focused audits may also identify areas where the division needs to change administrative requirements or internal processes that are unclear or are barriers to industry compliance, or to provide additional education and outreach.

Examples of possible focused audit topics include, but is not limited to:

- Accuracy of worker benefits
- Nondisabling claims
- Notices of Closure
- Permanent disability rating and payment
- Medical services
- Managed care
- Accuracy of reimbursements from the Workers' Benefit Fund
- Return to work and vocational assistance

- Proof-of-coverage requirements

Since the focused audits will be topic specific and address different performance areas, we will develop samples and a penalty approach for each audit. We will adjust the penalty approach as needed based on audit findings and the context of other sanctions. Penalties may be based on criteria such as the purpose of the audit, whether the topic is one in which the division has previously audited, and whether additional training or a re-audit is required.

Focused audits may include an educational component and follow-up plan in the audit methodology. When focused audits identify low performance areas, the division will provide follow-up training to the company after the audit. The auditors who conducted the audit, as well as other division technical experts as needed, will provide the training. In addition, WCD may schedule a re-audit to assess whether the company's subsequent processing in those areas meets the required performance thresholds. In instances where the division conducts training and re-audits, we may suspend penalties to give the company the opportunity to address its performance problems.