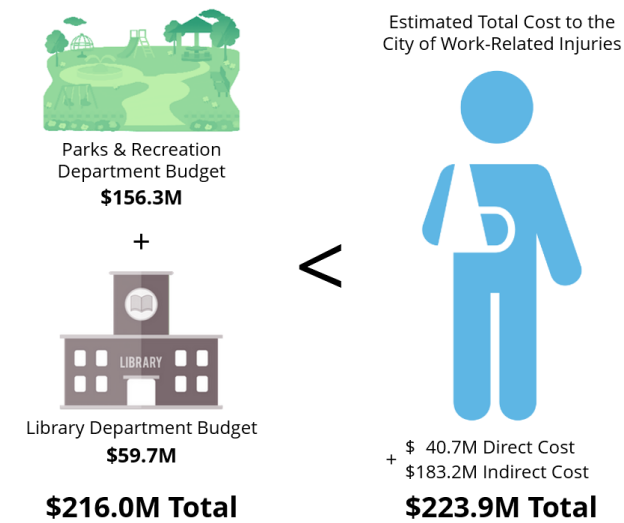


# Performance Audit of Workplace Safety and Workers' Compensation

## Why OCA Did This Study

City employees expect and deserve a safe workplace, and work-related injuries and illnesses harm employees and their families. In addition, in FY2021, the City incurred \$40.7 million in direct workers' compensation costs, such as employee medical expenses and industrial leave. When including indirect costs, such as lost productivity, the estimated total costs may be much higher—up to \$224 million in FY2021 alone. As shown in the graphic below, this is more than the operating budgets of the Parks & Recreation and Library departments combined and reduces the City's ability to provide critical services to City residents.



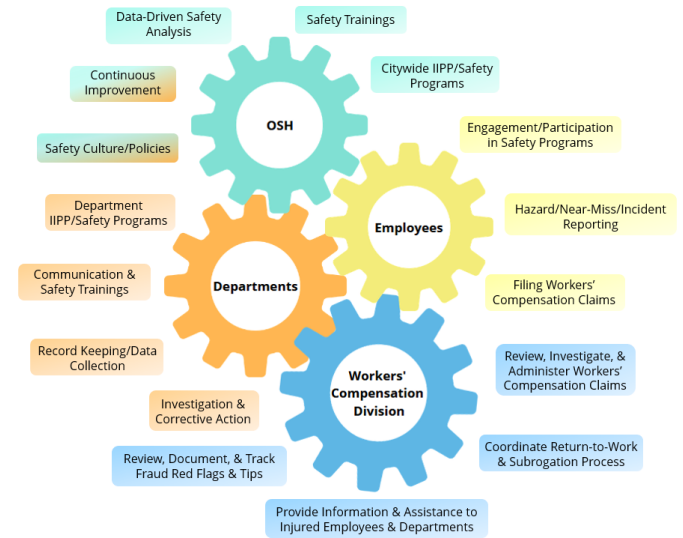
Note: Estimated indirect costs, such as lost productivity, can be up to 4.5 times the direct costs of workers' compensation claims.

Source: OCA generated from City FY2021 budget documents and OSHA estimate of indirect costs.

Effectively administering safety and health programs, in addition to a workers' compensation program, is essential to reduce workplace injuries and minimize the City's workers' compensation related costs. We conducted this audit to determine: (1) whether the City effectively mitigates workplace safety hazards and prevents injuries and illnesses; and (2) whether the City has adequate internal controls to mitigate the risk of fraud, waste, and abuse in workers' compensation claims.

## What OCA Found

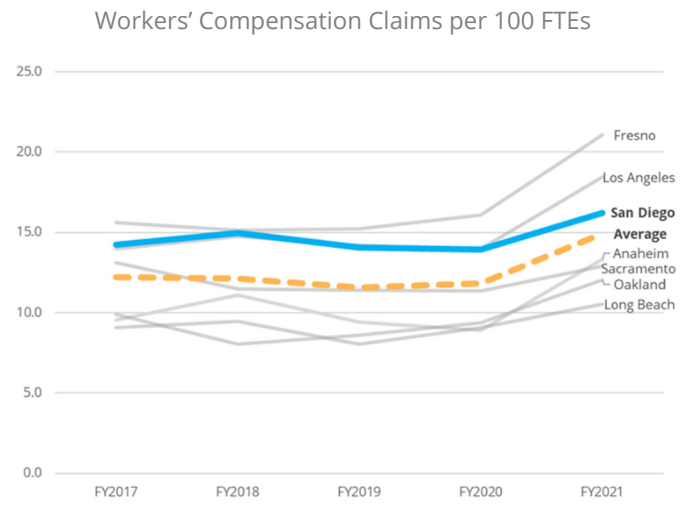
As shown in the graphic below, improving workplace safety and minimizing workers' compensation costs requires a multi-pronged approach.



Source: OCA generated based on Citywide Injury and Illness Prevention Program, audit findings, and best practices.

**Finding 1:** According to the City's Injury and Illness Prevention Program (IIPP), individual departments are responsible for developing and implementing their own safety programs. While departments have different safety needs based on the type of work conducted, we found that some departments' safety programs do not address core elements of the Citywide IIPP. In addition, we found that the City's Occupational Safety and Health program (OSH) had not, until recently, started reviewing and verifying whether departments have implemented and continue to maintain their required safety programs. Finally, interviews with City staff indicated that some departments may not have enough resources dedicated to developing, managing, and promoting an effective safety program. These issues have likely contributed to the City having workers' compensation claims rates that are 17 percent higher than similar agencies, as shown in the following graphic, as well as increased workers' compensation costs and work days lost. Further, many employees we surveyed

indicated a lack of confidence in the City’s safety programs.



Source: OCA generated from the California Department of Industrial Relations Office of Self-Insurance Plans’ annual report data.

**Finding 2:** We found the City’s costs related to workplace safety incidents have grown. Therefore, it is imperative for the City to leverage data analytics to take a closer look at its existing safety programs and develop effective incident prevention strategies. We found a lack of Citywide requirements on root cause analysis and corrective actions, coupled with insufficient incident investigation trainings provided to supervisors, has contributed to inconsistent and ineffective incident investigation practices. In addition, we found that, while the City performs some analyses with workers’ compensation claims data, it does not systematically collect and track injury, illness, and near-miss data to identify and prioritize safety issues. Furthermore, the City does not have a holistic data-driven approach, including using both leading and lagging indicators, to evaluate and improve the effectiveness of its injury and illness prevention strategies.

**Finding 3:** The Workers’ Compensation Division’s Claims Adjusters are trained to identify red flags for potential fraud in workers’ compensation claims. Additionally, fraud tips can come to Workers’ Compensation through either the City’s Fraud Hotline or directly to Workers’ Compensation. Although

Workers’ Compensation has a process for reviewing and documenting investigations into red flags and tips, it does not centrally track all allegations of fraud or red flags and the outcome of investigations into the red flags or tips. As a result, Workers’ Compensation is missing potential information on the pervasiveness of workers’ compensation claims fraud or potential trends across the City. Additionally, without centrally tracking all fraud red flags and tips, there is a risk that some red flags or tips are not fully investigated.

### What OCA Recommends

We made 10 recommendations to improve Citywide safety management and the monitoring of controls over potential workers’ compensation fraud, and management agreed to implement all 10. Key recommendations include to:

- Establish roles and responsibilities for both operating departments and OSH in the process of implementing, maintaining, and monitoring department-specific Injury and Illness Prevention Programs (IIPP).
- Provide annual notifications to all City employees on how to report safety concerns.
- Establish safety goals and performance indicators for operating departments that include both leading and lagging safety indicators.
- Implement a process for the collection and analysis of safety data and outline the roles and responsibilities of OSH and operational departments in this process.
- Develop, document, and implement a Citywide safety incident investigation program that includes trainings for supervisors and other relevant personnel.
- Update the Workers’ Compensation Division’s procedures for monitoring all fraud red flags and tips in a central document and analyzing and reporting results.

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