

Montana's Subsequent Injury Fund

Department of Labor and Industry

AUGUST 2009

09P-03

REPORT SUMMARY

The Department of Labor and Industry should enhance screening for data anomalies and improve the calculation of business assessments for the Subsequent Injury Fund, which reimburses employers work workers' compensation claims longer than two years, including 162 workers at a cost of approximately \$550,000 in 2008.

Context

The Subsequent Injury Fund (SIF), as a component of the state's Workers' Compensation program, is managed by the Department of Labor and Industry. The SIF is intended to help disabled workers obtain work by reducing an employer's long-term financial liability if that worker is reinjured on the job. In Montana, the SIF program will reimburse employers if a SIF-certified worker experiences a workers' compensation claim that lasts more than 104 weeks. The SIF program funds these reimbursements solely from assessments against the state's employers. Since 1950, Montana employers have been reimbursed \$7.1 million by the SIF program for injuries to SIF certified workers.

Montana Subsequent Injury Fund Certified Workers (1973 - Present)		
Year	Certified Workers	Cumulative Total
2003	194	3,229
2004	173	3,402
2005	208	3,610
2006	216	3,826
2007	177	4,003
2008	162	*4,165

*Includes 392 deceased individuals

Source: Compiled by the Legislative Audit Division from Department of Agriculture records and SABHRS data.

We found that the department complies with statutes related to calculating SIF assessments. However, lack of written procedures to guide the assessment process increases the workload of staff assigned the task of calculating the SIF assessment. There is also a lack of documentation of management's approval

of assessment decisions, which would also assure statutory requirements are met. The department has initiated procedures to correct both of these issues. We found instances where anomalies existed in SIF data. While these anomalies did not appear to result in increased assessments or reimbursement of fraudulent claims, the program did not have procedures in place to detect the anomalies. For example, we found the program did not screen their database for deceased workers. Once a screen was conducted, 392 certified workers were identified as deceased and 68 names did not match social security numbers on file. We also found the department complies with HIPAA disclosure requirements and is careful to ensure notifications do not identify the nature of a SIF certified employee's disability.

Results

We recommend the Department of Labor and Industry improve management controls to ensure:

- Written procedures are established for determining SIF assessments.
- Documentation of management approval of SIF assessments. SIF data is screened annually to identify anomalies.
- Procedures are established to ensure identified anomalies are evaluated and corrected, if necessary, to assure program costs are contained.

Recommendation Concurrence	
Concur	1
Partially Concur	0
Do Not Concur	0

Source: Agency audit response included in final report.