



U.S. Department of the Interior Office of Inspector General



U.S. Virgin Islands Workers' Compensation Benefits at Risk

Report No. V-IN-VIS-0003-2007

November 2008



United States Department of the Interior

OFFICE OF INSPECTOR GENERAL
Washington, DC 20240

NOV 28 2008

The Honorable John P. deJongh, Jr.
Governor of the Virgin Islands
No. 21 Kongens Gade
St. Thomas, VI 00802

Re: Final Audit Report *U.S. Virgin Islands Workers' Compensation Benefits at Risk*
(Report No. V-IN-VIS-0003-2007)

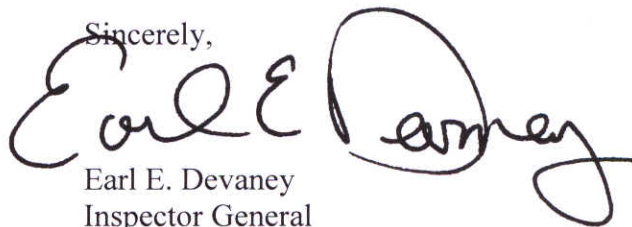
Dear Governor deJongh:

This letter transmits the results of our audit of the Workers' Compensation Program (Program) of the Government of the Virgin Islands (Government). Specifically, we wanted to find out if the Government is adequately safeguarding the Workers' Compensation Fund (Fund) and ensuring that all employers meet filing and payment requirements. We found that inappropriate payments had been made from the Fund and discovered major shortfalls in premium collections. In addition, an antiquated, manual system of record keeping prevents efficient Program operation. These factors threaten the Program's ability to meet projected needs of injured Virgin Islands (VI) workers.

We provide six recommendations that, if implemented, should improve Program efficiency and correct the deficiencies that threaten the Fund's future. We are encouraged by your concurrence with our recommendations as stated in your November 7, 2008 response to our draft report (Appendix 5) and applaud your willingness to implement necessary changes. Based on your response, we consider recommendations 1, 2, and 4 resolved and implemented. We recognize your ongoing efforts to implement recommendations 3, 5, and 6 and consider them resolved but not implemented. Once we receive the information mentioned in your response documenting the implementation of these recommendations, we will close them (Appendix 6).

Please provide a response to this report by December 22, 2008, to our St. Thomas Field Office, Ron deLugo Federal Building — Room 207, St. Thomas, VI 00802. The response should provide the information requested in Appendix 6. If you have any questions concerning this report, you may contact me or Mr. Hannibal M. Ware, Field Office Supervisor, at 340-774-8300.

Sincerely,



Earl E. Devaney
Inspector General

cc: Commissioner Claudette Watson-Anderson, U.S. Virgin Islands Department of Finance
Commissioner Albert Bryan, U.S. Virgin Islands Department of Labor
Nikolao Pula, Acting Deputy Assistant Secretary for Insular Affairs

WHY WE CONDUCTED THIS AUDIT

We conducted this audit to determine whether the Government can continue to guarantee benefits to injured workers using the Workers' Compensation Program (Program). Specifically, we wanted to find out if the Government is adequately safeguarding workers' compensation funds and ensuring that all employers meet filing and payment requirements.

OVERVIEW OF WORKERS' COMPENSATION PROGRAM

This Government-run Program provides income and medical benefits to all employees in the Virgin Islands who are injured on the job. The Division of Workers' Compensation Administration (WCA) of the Virgin Islands Department of Labor (Labor) administers the Program; WCA employees receive and evaluate workers' compensation claims and authorize payment of benefits to qualified employees. Over the past 4 years, WCA processed about 23,300 orders, totaling \$28 million, for payments to injured workers.

The VI Department of Finance (Finance) Office of the Custodian of the Government Insurance Fund (GIF) pays the claims for injured workers and for Program administration. To do so, GIF collects annual premiums from all Virgin Islands employers who have full-time employees and the reimbursements due to the Fund. Over the past 4 years, GIF reported collections of over \$32 million and issued about 11,300 certificates of Government insurance. A certificate serves as an employer's proof of workers' compensation insurance coverage.

WHAT WE FOUND

The Program may be unable to meet the future needs of injured Virgin Islands workers, especially in the event of a major job-related catastrophe at one of the Virgin Islands' primary employers, such as the Virgin Islands Water and Power Authority or the Virgin Islands Fire Department. The Fund experienced losses of approximately \$10.6 million from 2004 to 2007 that were caused by improper use and poor Fund management. In addition, shortfalls due to outdated rates, inaccuracies in individual premium rates, and uncollected premiums, combined with an antiquated, manual system to collect premiums and process claims contributes to the overall vulnerability of the Fund (see Appendix 2).

Losses to the Fund

Improper Use. We found the Government has used Fund monies to pay for expenses unrelated to the Program. For example, approximately \$1.6 million in loans were made from the Fund, which has never been repaid. By definition, money disbursed in the form of loans could not have served any Program purpose. GIF employees told us the money was lent in the 1980s, but no one could provide a specific date, identify who loaned the money or who received it, or knew why the loan was made.

The misuse continues. As recently as 2007, Fund monies were used to purchase airline tickets and pay the travel expenses of three Finance employees. This travel was not related to the Program.

Poor Fund Management. We found that poor Fund management also resulted in Fund losses. We reviewed 97 claimant cases and found that WCA personnel did not regularly monitor 25 of them, leading to overpayment of \$229,000 in benefits. Some workers are receiving more benefits than they are entitled to and others are not receiving all the benefits owed to them. For example, WCA paid one claimant \$32,000 too little because it did not ensure the accuracy of the duration of the benefit. It paid another claimant more than \$29,000 too much because it did not follow up on information in medical evaluations. In the latter case, WCA should have changed the claimant's benefit status from temporary total disability, which required ongoing payments, to permanent partial disability, which would have required a one-time payment of about \$8,000. For further explanation of these medical benefits, see Table 1 below.

Table 1. Benefits for Loss of Income	
Disability Categories	Benefits Description
Temporary Total	Income benefits paid based on 66 2/3 percent of last salary for a set time.
Temporary Partial	Income benefits paid based on 66 2/3 percent of difference between current and last salary as a result of modified or part-time work schedule.
Permanent Partial	Scheduled income benefit paid based on percentage of body function lost for a specified period.
Permanent Total	Continuous income benefit paid based on 66 2/3 percent of last salary for as long as claimant lives.

We also reviewed 15 instances of claimant involvement in "third party cases" and found 8, all on St. Thomas, in which reimbursements were not made. Injured workers may pursue action for damages against a third party responsible for their injury. If the worker receives a financial settlement from such action, he or she must reimburse the Fund for benefits that were received from the Program. WCA personnel's failure to monitor those cases may have cost the Fund as much as \$565,000. In one case, WCA authorized over \$128,000 in benefits to a claimant on St. Thomas beginning in April 2002. Although WCA personnel knew that the claimant had initiated a third party case, they failed to monitor the results of the settlement and continued to authorize benefits until June 2006. As of April 2008, WCA personnel still had not reviewed the case.

In another case, a claimant received a third party settlement of \$50,000. She received the settlement in February 2005, but WCA personnel made no effort to obtain a reimbursement of benefits paid to her until we notified them of the case in April 2008. The claimant said that she informed WCA she received a settlement, but personnel told her they would contact her.

The claimant — 3 years later — no longer has the money to repay benefits received but has agreed to reimburse the Fund at \$80 per month.

Although GIF and WCA personnel work diligently, they devote most of their time to collecting premiums and processing claims, rather than to recovering money owed to the Fund or monitoring benefits paid. Further, while WCA has assigned an auditor to track third party cases on St. Croix, it has no such position on St. Thomas. Therefore, St. Thomas WCA employees are responsible for both processing claims —23,300 over a 4-year period — and monitoring them.

To secure the Workers' Compensation Fund against future losses, we recommend that the Governor of the Virgin Islands:

1. Disallow unrelated payments from the Fund and obtain reimbursement for past improper expenditures.
2. Establish a review (monthly or quarterly) of claimant cases. In addition, this review must reconcile third party payments.

Shortfalls in Premium Collections

Outdated Rates. Premiums paid by employers for workers' compensation insurance do not correspond to authorized medical benefits. Since 1980, the cost of medical services has increased by almost 600 percent nationally (see Figure 1). In response to the cost increase, the Virgin Islands Code (24 VIC § 254) modified Program benefits, as follows:

- On-island medical benefit ceilings increased from \$40,000 to \$75,000 (benefit ceilings are per person per incident).
- Off-island medical benefit ceilings more than doubled from \$75,000 to \$200,000.
- The number of weeks used to calculate income benefits for bodily losses (i.e., loss of a body part or its function) increased from an average of 137 weeks to an average of 187 weeks.

Premiums have not kept pace, however, even though 24 VIC § 269 requires an ***annual*** revision. Minor adjustments have been made to workers' compensation premiums paid by some employers based on a Finance Workers' Compensation Handbook issued in 1997. However, the changes were not founded on actuarial data. Many rates remain at 1981 levels, and even the updated rates are over a decade old.

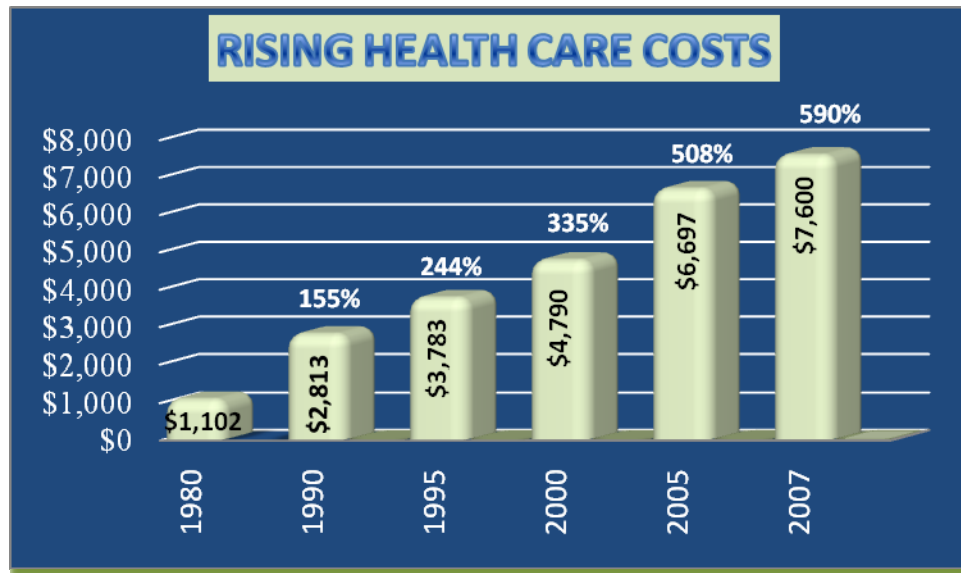


Figure 1. Rising Health Care Costs

(Information provided on U.S. Health Care by VI Bureau of Economic Research; costs are per person)

In an attempt to rectify the situation, GIF hired an actuarial consulting company in April 2007 to conduct a study on which premium rate changes could be based. However, the project has been delayed because the manual system used to administer the Program was unable to readily provide the statistical data necessary to complete the study. (We discuss the system below.) Without the information this study can provide, the Government cannot ensure that premiums charged are based on current economic realities.

Inaccuracies in Individual Premium Rates. GIF utilizes an “experience plan” to determine whether an individual employer’s annual premium should be increased or decreased. This plan takes into consideration the individual employer’s “experience rating” — its history of how many claims have been filed and adherence to requirements. Under 24 VIC § 271, employers are only eligible to receive a discount if they have paid an annual premium of at least \$1,000, on time, for 3 consecutive years. An employer’s rate should be increased if it files an above-average number of claims. Alternatively, an employer may be eligible to receive a discount on or reduction in premiums based on the number of claims filed.

We found that the GIF did not increase premium rates when it should have. For instance, the GIF inappropriately reduced the premiums for employers who paid \$1,000 or more in total ***over 3 years*** rather than \$1,000 or more ***in each of 3 years***. In fact, we identified a 7 percent error rate in a sample of 98 individual employer premiums reviewed. The errors resulted in unrealized revenues of \$32,000.

Uncollected Premiums. The viability of the Workers’ Compensation Fund depends on collecting all premiums and penalties owed, charging rates based on current medical costs and wages, and adjusting rates for individual employers based on accurate information.

While all Virgin Islands employers are required to file with the GIF and pay workers' compensation premiums due, some employers file and do not pay the premiums due, while others do not file at all (non-filers). Appropriately, GIF sent delinquent notices and made telephone calls to and levied bank accounts of non-paying employers who file, but GIF made no effort to collect from non-paying Government agencies or employers who failed to file. By 2006, GIF's inaction had allowed Government agencies to accumulate a collective delinquent balance of \$2.4 million and jeopardized the Government's ability to pay benefits to injured workers.

At the end of fiscal year 2005, the Fund was overdrawn by \$437,000. In March 2006, the Government allocated \$3.5 million to cover the overdrawn amount, pay the outstanding balance of Government agencies, and ensure the Fund contained enough money to pay outstanding claims. Still, the problem continued. By September 2007, 13 Government agencies had accumulated additional delinquent balances of about \$193,000. We did note that the Fund director initiated discussions with Government agencies in October 2007 in hopes of collecting all premiums due to the Fund.

GIF staff made no effort at identifying non-filers. One way to identify non-filers would be to coordinate with other Government agencies that have similar employer filing requirements — as we did. We identified almost 3,000 non-filers based on employer records obtained from the Department of Labor's Unemployment Insurance Program. A simple phone call and reconciliation could have netted at least an additional \$7.4 million for the Fund over a 4-year period. Table 2 shows the estimated annual amount lost each year, which we determined using the annual average cost of employers' premiums.

Year	Labor's Insurance Reports	GIF Employer Reports	Difference	Annual Average Premiums	Estimated Annual Lost Revenue
2004	3,351	2,356	995	\$2,696	\$2,682,520
2005	3,473	2,647	826	\$2,312	\$1,909,712
2006	3,565	2,974	591	\$3,206	\$1,894,746
2007	3,690	3,312	378	\$2,526	\$954,828
Totals	14,079	11,289	2,790		\$7,441,806

GIF made no effort to collect reimbursements, which totaled at least \$529,000, for payments made on behalf of uninsured employers. To illustrate, between 2003 and 2008, the Program paid about \$235,000 in benefits to an individual who worked for an uninsured Government employer. WCA is required to charge uninsured employers for all payments made on behalf of employees, plus a 30 percent penalty. GIF is then responsible for ensuring that the payments are reimbursed and that penalties are collected. Although WCA assessed a penalty of \$70,500 and forwarded the information, GIF never pursued the uninsured employer for any of the money. In this case and others, GIF failed to act. In some cases, GIF may have been

unable to act because it has erroneously issued certificates of Government insurance, which certify current insurance coverage, to delinquent employers.

To ensure the Program collects all money owed to the Workers' Compensation Fund, we recommend that the Governor of the Virgin Islands:

3. Conduct actuarial studies, immediately and on a periodic basis, to develop appropriate workers' compensation premium rates.
4. Perform an annual review of each employer's "experience rating" and payment history, adjusting rates as needed.
5. Hold all Virgin Islands employers accountable for filing annual employer reports, and paying corresponding premiums and associated penalties when they fail to pay their premiums. Consistently apply established collection procedures to non-paying Government agencies and employers.

Antiquated, Manual System

Complicated Collection and Claims Processing. The Workers' Compensation Program manual system used to collect premiums and process claims is antiquated, cumbersome, and extremely labor intensive — especially in light of the complexity of premium collections and claims processing. Having to use this system contributes significantly to the inability of GIF and WCA employees to address many of the problems we discuss in this report, including processing claims accurately, maintaining sufficient and easily-accessible data to use for necessary rate adjustments, and focusing on enforcing premium collections. These inefficiencies resulted in unrealized revenues of almost \$9 million.

Eight steps make up the collection process at GIF (see Appendix 3) and take approximately 6 months to complete. As mentioned earlier, we found the process to be so cumbersome that GIF employees chose to spend most of their time on those employers who either filed or paid annual premiums. They did not take steps to identify and collect premiums from non-filers.

At WCA, employees spend so much time processing claims that they have little time to monitor claims for any adjustments that should be made. When an injured worker files a claim, a lengthy process is initiated to determine claim eligibility (see Appendix 4). Each step has unique and multiple requirements that depend on a claimant's needs. For example, WCA Program benefits may include medical payments, vocational rehabilitation payments, cash payments for loss of income resulting from disabilities, and payments to eligible dependent heirs in instances of death.

To make better use of the limited resources available to administer the Workers' Compensation Program, we recommend that the Governor of the Virgin Islands:

6. Upgrade or replace the current manual system used to collect premiums and process workers' compensation claims. An enhanced system will allow the calculation and collection of accurate premiums, and aid in the processing and monitoring of claims.

AUDIT SCOPE AND METHODOLOGY

The objective of our audit was to determine whether the Government is adequately safeguarding workers' compensation funds, ensuring that all employers meet filing and payment requirements, effectively authorizing and processing payments to all eligible claimants, and investing funds reserved for future claims and expenses. We could not make a determination regarding the fourth element of our objective, funds investment, because we could not rely on the balance information provided by the Department of Finance for fiscal years 2006 and 2007.

We performed our audit work from August 2007 through June 2008. To accomplish our objective, we interviewed officials and reviewed disability case files, employers' files, collection posting documents, transaction reports, injured employee claims, delinquent listings, and biweekly payrolls for injured workers at the Departments of Finance and Labor on both St. Thomas and St. Croix. We also consulted with officials from the Unemployment Insurance Program on St. Thomas and St. Croix.

Our audit was conducted in accordance with the "Government Auditing Standards" issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We tested records and conducted other auditing procedures as necessary under the circumstances. We believe the evidence obtained from our tests and procedures provides a reasonable basis for our findings and conclusions based on our audit objectives.

As part of the audit, we evaluated the internal controls related to the collection of insurance premiums and the processing of claims. Internal control weaknesses identified as a result of our audit are discussed in the **What We Found** section of this report. The recommendations, if implemented, should improve internal controls.

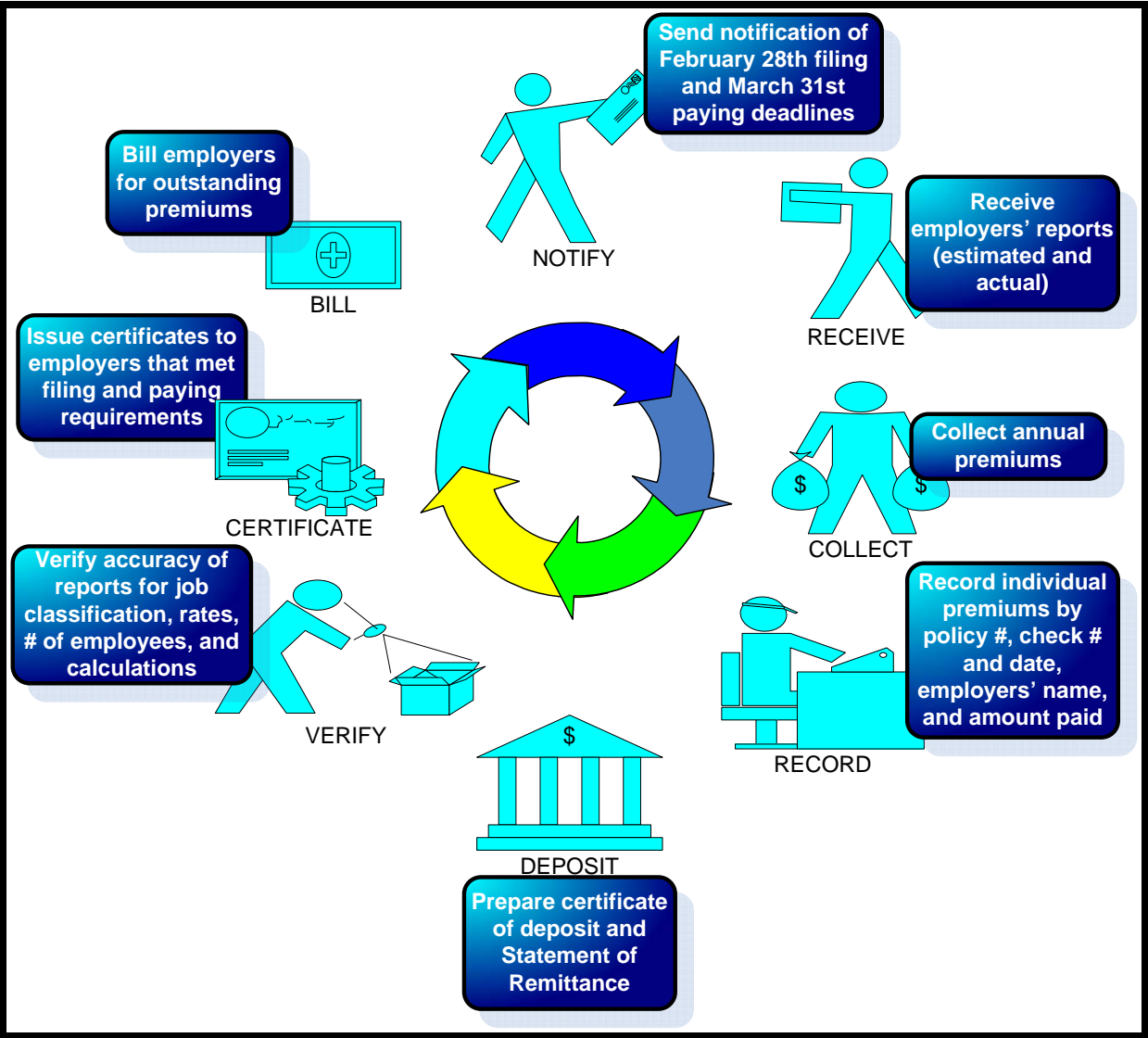
Prior Audit Coverage

The Office of Inspector General has not conducted any audits of the Workers' Compensation Program in the Virgin Islands in the past 10 years. However, we issued report no. 97-I-243 in December 1996. We reported that the GIF was not effectively enforcing the requirement that employers, both private and Government, pay workers' compensation premiums. We also found that the GIF did not ensure that revenues and expenditures were authorized and properly recorded.

MONETARY IMPACT

	UNREALIZED REVENUES	QUESTIONED COSTS	TOTAL
LOSSES TO THE FUND			
Subtotal	\$794,000	\$1,630,000	\$2,424,000
SHORTFALLS IN PREMIUM COLLECTION			
Subtotal	\$8,196,000	—	\$8,196,000
TOTALS	<u>\$8,990,000</u>	<u>\$1,630,000</u>	<u>\$10,620,000</u>

GIF 6-month Premium Collection Process





Governor of the Virgin Islands' Response

NOV. 7. 2008 3:51PM

OFF OF THE GOVERNOR

NO. 8597 P. 2



THE UNITED STATES VIRGIN ISLANDS

OFFICE OF THE GOVERNOR
GOVERNMENT HOUSE

Charlotte Amalie, V.I. 00802
340-774-0001
November 7, 2008

Mr. Earl Devaney
Inspector General
U. S. Department of the Interior
1849 C Street, NW MS5341
Washington, DC 20240

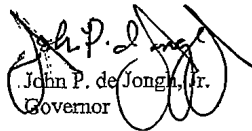
RE: Response of the Government of the Virgin Islands to Draft Report
U. S. Virgin Islands Workers' Compensation Benefits at Risk
Government of the Virgin Islands
Assignment No. V-IN-VIS-0003-2007, September 2008

Dear Mr. Devaney:

First, allow me to express my appreciation to you and your staff for the Draft Audit Report: *U. S. Virgin Islands Workers' Compensation Benefits at Risk*; Government of the Virgin Islands (V-IN-VIS-0003-2007); and simultaneously thank you and Mr. Hannibal Ware for the extension granted until November 7, 2008 due to Hurricane Omar. Second, let me reiterate the pledge of cooperation that I have made to the Office of the Inspector General. Your office plays a vital role in fulfilling the requirement that our Government operate in an effective and efficient manner, and maintain the transparency and accountability that are necessary for the Government to earn, re-gain, and retain the public trust.

The Draft Audit Report on the Workers' Compensation Program ("the Program") of the Government of the Virgin Islands was reviewed by the Assistant Commissioner of Labor Affairs and the Director of Workers' Compensation Administration (WCA) (Department of Labor – DOL), and the Assistant Commissioner and the Director of the Government Insurance Fund (GIF) (Department of Finance – DOF), in consultation with the Commissioners of DOL and DOF, respectively. Both departments unanimously concur with the findings contained within the draft report and appreciate the recommendations proffered. Accordingly, on behalf of the Government of the Virgin Islands (GVI), I hereby submit as *Exhibit I* a synopsis of the actions implemented to-date along with the requisite corrective measures necessary for implementation of the audit recommendations.

Sincerely,


John P. de Jongh, Jr.
Governor

Mr. Earl Devaney
November 7, 2008
Page 2

pc: Mr. Nikolao Pula, Acting Deputy Assistant Secretary, Office of Insular Affairs, DOI
Mr. Hannibal Ware, Field Office Supervisor, V. I. Inspector General's Office, DOI
Ms. Claudette Watson-Anderson, Commissioner, Department of Finance, GVI
Mr. Albert Bryan, Jr., Commissioner, Department of Labor, GVI
Ms. Debra E. Gottlieb, Director, Office of Management and Budget, GVI

WORKERS' COMPENSATION

Disallow unrelated payments from the Workers' Compensation Fund and obtain reimbursement for past improper expenditures, in order to secure the fund against future losses.

Government's Response:**Corrective Action:**

Department of Finance (DOF): DOF concurs with this recommendation. With the reorganization of the "work flow" and approval process, within the Enterprise Resource Planning (ERP) System, all expenditures are reviewed and approved by the Director of the Government Insurance Fund (GIF) prior to payment being made. Having the Director of GIF included in the "final approval" process allows for more accountability.

Department of Labor (DOL): DOL also concurs with this recommendation. The Director and staff have already initiated the process of closely monitoring claimant's cases to prevent unrelated payments from being processed and to obtain reimbursement for past improper expenditures. New policies and procedures will be adopted to more adequately address this recommendation and prevent future recurrences.

Implementation Date: October 1, 2008 and on-going

Responsible Party (ies): Director, Government Insurance Fund (GIF) - DOF

Recommendation #2

Establish monthly or quarterly review of claimant cases, including reconciling third party payments, to secure the Workers' Compensation Fund against future losses.

Government's Response:**Corrective Action:**

DOL: DOL concurs. WCA personnel is currently monitoring and reviewing the most complex active cases monthly and making determinations relative to the eligibility of benefits based on medical evidence. A team will be established within WCA to perform quarterly reviews on all other cases. When additional key personnel are hired, case reviews will be part of their primary duties.

DOL is trying to fill budgeted key positions (funded by the Government Insurance Fund) listed on the attached "Proposed Organization Chart" (Attachment 1). This will allow WCA to effectively manage its caseload. WCA has only five (5) Claims Adjusters (2 STX/3 STT) to handle approximately 2,700 cases and to process payments to approximately 400 to 500 medical

providers annually. Once the positions listed are filled, WCA will be organized into five (5) distinct units.

The organization of distinct units within WCA to operate different functions will alleviate the heavy caseload and allow more frequent monitoring. The description of each unit and its function is outlined in Attachment 2.

WCA has commenced contacting claimants referenced on page 3 of the audit ("Poor Fund Management"). (Section deleted here) WCA personnel on St. Thomas is also aggressively addressing third party cases by contacting attorneys and claimants and requesting information relative to the status of the lawsuits. If some cases are settled, reimbursement to the Government Insurance Fund (GIF) is being requested.

WCA personnel will utilize the attached spreadsheet "Third Party Cases – Request for Copy of Case Files and Lien Balances" (Attachment 3) to monitor third party cases. Additionally interviews were conducted with candidates to fill the Claims Auditor position on St. Thomas, and DOL has selected someone to fill the position. Monitoring "Third Party" cases is one of the primary duties of the Claims Auditor.

Implementation Date: March 30, 2009

Responsible Party (ies): Director, Division of Workers' Compensation Administration (WCA)
- DOL

Recommendation #3

Conduct actuarial studies, immediately and on a periodic basis, to develop appropriate workers' compensation premium rates, to ensure that all money owed to the Workers' Compensation Program is collected.

Government's Response:

Corrective Action:

DOF: DOF concurs. A contract was signed on April 25th, 2007 between the Government of the Virgin Islands and the firm Mercer, Oliver, Wyman Actuarial Consulting, Inc. to conduct an actuarial study of the Government Insurance Fund. Based on information provided to the actuary, additional data with more detail was necessary to complete the study. Because GIF's processes are manual, going forward, GIF will incorporate the necessary information in its reports to facilitate the actuarial process.

DOF is aggressively working with the Department of Property and Procurement to address the actuarial contract. As of October 2008, the contract is in the final review stage at the Department of Property and Procurement which entails review by the P & P Commissioner.

Government Insurance will be ready to submit its data upon approval of the contract for actuarial services.

At the completion of this current actuarial study, DOF anticipates additional studies over the years to further refine and adjust the worker's compensation rates. For example, in order to more accurately reflect or claim exposure, benefits and premium rates, a follow-up study should be conducted in three to five years. Timely actuarial studies will facilitate accurate collections applying appropriate rates.

DOL: DOL also concurs.

Implementation Date: March 30, 2009

Responsible Party (ies): Director, GIF – DOF

Recommendation #4

Perform an annual review of each employer's "experience rating" and payment history, adjusting rates as needed, to ensure that all money owed to the Workers' Compensation Program is collected.

Government's Response:

Corrective Action:

DOF: DOF concurs. The practice of applying the "experience rating plan" adjustment only to policies earning a reduction in premium has ceased. Every policy is reviewed annually to establish the number of employees, premium charge, and loss experience. We now apply the "experience rating plan" to every qualified policy as detailed in the Virgin Islands Code (Vol. 24, Section 271). As health care costs continue to spiral upward these more timely "experience rating plan reviews" will help the GIF adjust for unforeseen losses, adjust rates on a timely basis, and improve the risk management of the WCA funds.

Implementation Date: October 2007 & on-going

Responsible Party (ies): Director, GIF – DOF

Recommendation #5

Hold all Virgin Islands employers accountable for filing annual employer reports, and paying corresponding premiums and associated penalties when they fail to pay their premiums; and consistently apply established collection procedures to non-paying Government agencies and employers to ensure that all money owed to the Workers' Compensation Program is collected.

Government's Response:**Corrective Action:**

DOF: DOF concurs. Under Title 24, VIC, Sections 277(c) & (d) the Commissioner of Finance is empowered to collect delinquent premiums and assess penalty and interest on every employer affected by this chapter. DOF has initiated the following measures.

- A. Coordination with the Unemployment Insurance Program to identify employers who are not registered with GIF.

DOF/GIF has contacted the Unemployment Insurance Program and there is agreement to provide Government Insurance with its listing of enrolled employers. It's called *The Virgin Islands Employers Contact Information*. By obtaining this information on a quarterly basis, it will allow the Government Insurance Program to compare its active employer list against that of the Unemployment Insurance Program and facilitate bringing unregistered employers into compliance.

- B. Collection of benefits paid on behalf of employees who were uninsured as a result of non-paying employers plus the 30% penalty provided by law.

As of August 2008, GIF initiated a tracking process that records all claims paid for uninsured employers. The name of the report is the *Monthly Uninsured Case Report*. The information in that report includes: name of the employer, name of injured worker, date of injury, amount paid, order number, case number, penalty, date collected, employer's telephone number, and comment section. The Government Insurance Fund is requesting reimbursement of all payments made on behalf of an uninsured employer via telephone contact and in writing.

- C. Inclusion of all non-filing employers within the GIF inventory of delinquent employers to ensure that all employers contribute to the fund. Non-filing employers are added to the inventory of delinquent employers and attempts to gain their compliance will continue via telephone, mail and site visits. If necessary, taking legal action to gain compliance if all established collection procedures have been exhausted.

DOL: DOL also concurs. Under Title 24, VIC, Section 261(a)(2) the Administrator shall determine the proper compensation plus the expenses in the case, and shall collect from the employer such compensation and expenses including a penalty equivalent to 30 percent. WCA is complying with the law by preparing orders, which indicate the total amount due, plus the 30% penalty, and transmitting them to the Department of Finance's Government Insurance Fund with a copy to the uninsured employer. The Administrator of Workers' Compensation has the duty to collect uninsured benefits paid out and a penalty. If the employer does not pay, the Commissioner of Finance can proceed with an action for collection and enforcement under Title 24, VIC, Section 277(d).

Effective immediately, with the approval of the Commissioner of Labor and the Commissioner of Finance, by Order, WCA will collect reimbursement of accumulated leave due to insured government agencies and employers of the private sector, that in the past were uninsured, to be credited into the Uninsured-Employers Case Fund.

WCA personnel is currently reviewing 65 uninsured cases and requesting reimbursement to GIF. A full report on the status of these reimbursements will be submitted to the Commissioner of Finance within the next 90 days and made available to the auditors upon request.

Implementation Date: August 2008 & on-going (DOF)

Due Date: June 30, 2009 (DOL)

Responsible Party (ies): Director, GIF-DOF; Director, WCA-DOL

Recommendation #6

Upgrade or replace the current manual system used to collect premiums and process workers' compensation claims, to allow for the calculation and collection of accurate premiums, and to aid in processing and monitoring claims; in order to make better use of the limited resources available to administer the Workers' Compensation Program.

Government's Response:

Corrective Action:

DOF concurs.

DOL also concurs. Omni Systems, Inc. was selected to automate the operations of the Workers' Compensation Program (Attachment 4). The new system is also capable of being upgraded to monitor claims, calculate premiums, and experience ratings, etc. for the Department of Finance's Government Insurance Fund.

Implementation Date: June 30, 2009

Responsible Party (ies): Director, WCA-DOL

Status of Audit Recommendations

Recommendation	Status	Action Required
1	Resolved and Implemented	None
2	Resolved and Implemented	None
3	Resolved, Not Implemented	We look forward to receiving the results of the actuarial study.
4	Resolved and Implemented	None
5	Resolved, Not Implemented	We request a copy of the completed review of the 65 uninsured cases after it is submitted to the Commissioner of Finance.
6	Resolved, Not Implemented	We request confirmation once the system is completed and operational.

Report Fraud, Waste, Abuse And Mismanagement



Fraud, waste, and abuse in government concerns everyone: Office of Inspector General staff, Departmental employees, and the general public. We actively solicit allegations of any inefficient and wasteful practices, fraud, and abuse related to Departmental or Insular area programs and operations. You can report allegations to us in several ways.



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Office of Inspector General
Mail Stop 4428 MIB
1849 C Street, NW
Washington, D.C. 20240

By Phone:

24-Hour Toll Free 800-424-5081
Washington Metro Area 703-487-5435

By Fax:

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By Internet:

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