PERFORMANCE AUDIT OF WORKPLACE SAFETY AND WORKERS' COMPENSATION

Finding 1: Some departments do not meet the City's Injury and Illness Prevention Program requirements, which likely contributes to higher injury rates and workers' compensation costs.

Finding 2: The City should proactively prevent workplace incidents by conducting incident investigations with a focus on root cause analyses; collecting and analyzing injury, illness, and near-miss data; and using safety performance indicators to continuously improve safety program effectiveness.

Finding 3: Workers' Compensation has a process in place for reviewing potential fraud, but it can improve controls over this process by centrally tracking all fraud red flags or tips and investigations.
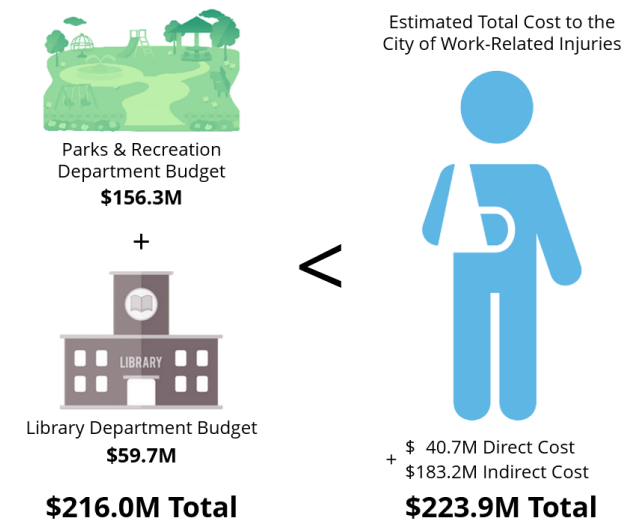
Office of the City Auditor

City of San Diego

OCA
Independent · Objective · Accurate

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.

Estimated Total Cost to the City of Work-Related Injuries

Parks & Recreation Department Budget
$156.3M

+

Library Department Budget
$59.7M

$216.0M Total

<

$ 40.7M Direct Cost
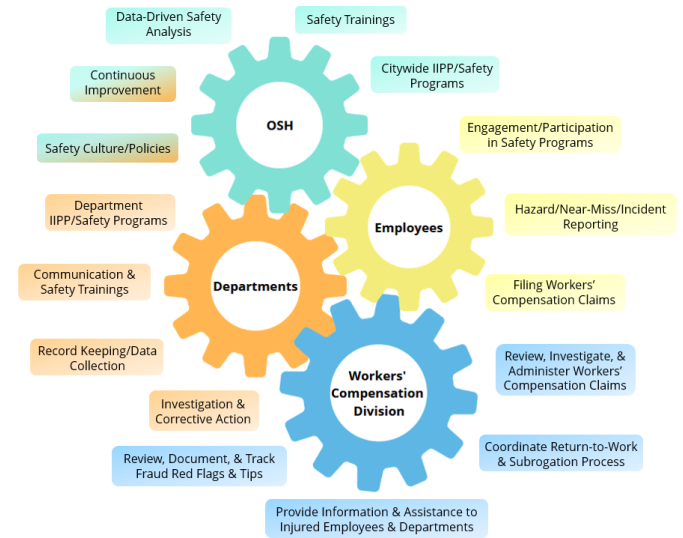$183.2M Indirect Cost

$223.9M Total

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.

Data-Driven Safety Analysis — Safety Trainings — Continuous Improvement — Citywide IIPP/Safety Programs — Safety Culture/Policies — Engagement/Participation in Safety Programs — Department IIPP/Safety Programs — Hazard/Near-Miss/Incident Reporting — Communication & Safety Trainings — Filing Workers' Compensation Claims — Record Keeping/Data Collection — Review, Investigate, & Administer Workers' Compensation Claims — Investigation & Corrective Action — Coordinate Return-to-Work & Subrogation Process — Review, Document, & Track Fraud Red Flags & Tips — Provide Information & Assistance to Injured Employees & Departments

OSH — Employees — Departments — Workers' Compensation Division

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.

Workers' Compensation Claims per 100 FTEs
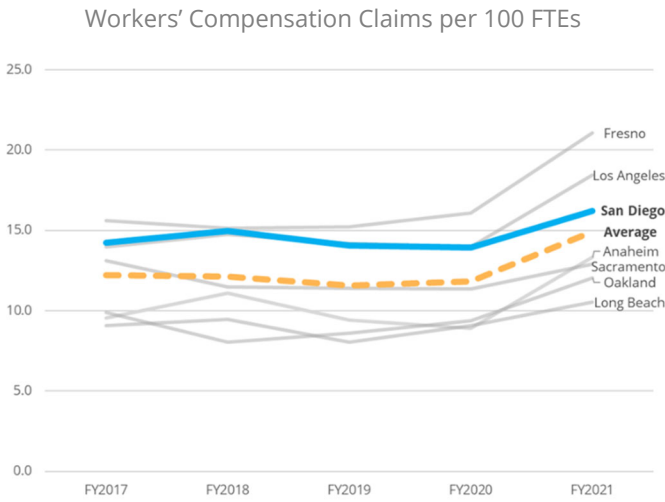
Source: OCA generated from the California Department of Industrial Relations Office of Self-Insurance Plans' annual report data.

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.

For more information, contact Andy Hanau, City Auditor at (619) 533-3165 or CityAuditor@sandiego.gov.

May 9, 2022

Honorable Mayor, City Council, and Audit Committee Members
City of San Diego, California

Transmitted herewith is a performance audit report of workplace safety and workers' compensation. This report was conducted in accordance with the City Auditor's Fiscal Year 2022 Audit Work Plan, and the report is presented in accordance with City Charter Section 39.2. Audit Objectives, Scope, and Methodology are presented in Appendix B. Management's responses to our audit recommendations are presented starting on page 65 of this report.

We would like to thank staff from the Risk Management, Compliance, Fire-Rescue, Environmental Services, Police, Fleet Operations, Library, and Development Services Departments for their assistance and cooperation during this audit. All of their valuable time and efforts spent on providing us information is greatly appreciated. The audit staff members responsible for this audit report are Ruixin Chen, Joseph Picek, and Luis Briseño.

Respectfully submitted,

Andy Hanau
City Auditor

cc: Honorable City Attorney, Mara Elliott
        Jay Goldstone, Chief Operating Officer
        Kristina Peralta, Deputy Chief Operating Officer
        Matthew Vespi, Chief Financial Officer
        Christiana Gauger, Chief Compliance Officer
        Angela Colton, Director, Risk Management Department
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Background

The City's employees are its most valuable asset, and they expect and deserve a safe workplace. Each employee injured or made ill in a work-related incident is a colleague who would otherwise be healthy. Moreover, workplace injuries can cause suffering and financial hardships for employees and their families. It is part of the City's responsibility as an employer to ensure that the workplace is safe and injuries and illnesses are kept to a minimum for the good of its employees.

The City can also incur substantial costs as an employer. When an injury occurs on the job, employers are required by California laws to pay for workers' compensation benefits. A workers' compensation program provides employees with medical and wage replacement benefits that arise from those injuries. The City's workers' compensation program incurred an average of $38.1 million in workers' compensation direct costs per year between fiscal year (FY)2017 and FY2021. Additionally, the City loses an average of nearly 34,000 days of work annually due to work related injuries, which negatively impacts the City's ability to deliver the critical services City residents expect. Effectively administering safety and health programs, in addition to the workers' compensation program, is essential to reduce workplace injuries and minimize the City's workers' compensation related costs.

Work-related injuries have substantial direct and indirect costs to the City.

The costs of workplace injuries and illnesses include direct and indirect costs. Direct costs include medical expenses, indemnity and industrial leave payments, and costs for claims management and legal services.[1] Direct costs incurred by the City have been growing since FY2017, as reflected in **Exhibit 1**. In FY2021, the

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[1] A workers' compensation claim may not result in all direct costs listed here. For instance, some claims may only result in medical cost, but not indemnity cost. There are also claims that incur medical and indemnity costs in the first year they are filed but only medical costs in subsequent years.

City incurred $40.7 million in direct workers' compensation costs, close to 1.2 times the costs incurred in FY2017.[2,3]

Exhibit 1

Workers' Compensation Costs Incurred by the City Have Increased Every Year from FY2017 to FY2021 ($ in Millions)
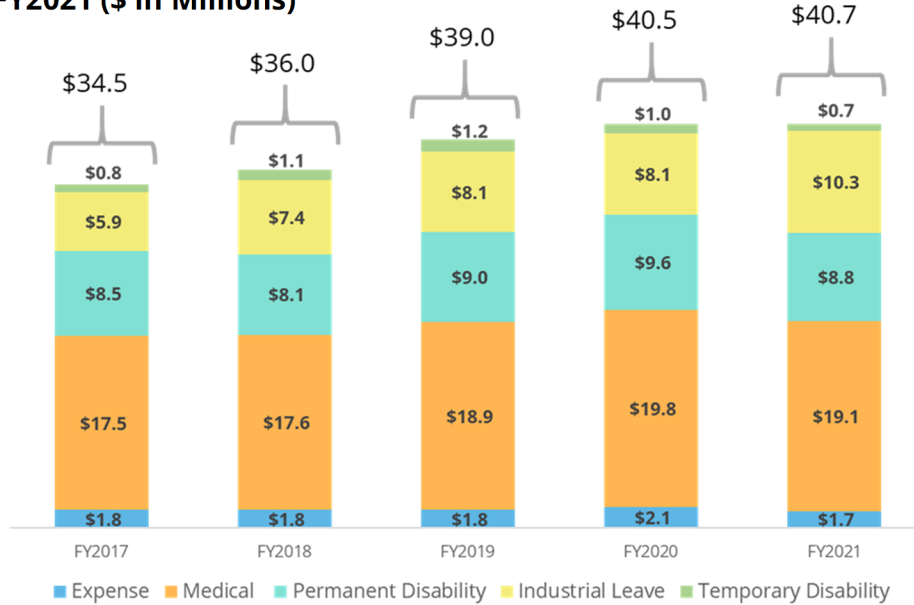
Note: "Expense" costs include bill review fees, nurse case management fees, utilization review fees, legal expense, and other miscellaneous expenses associated with claim processing. It does not include the operational cost of the Workers' Compensation Division. "Medical" costs include costs for medical treatment offered to the injured worker that is reasonably required to cure or relieve from the effects of the injury. "Permanent Disability" costs include payments to a worker whose job injury permanently limits the kinds of work the worker can do. "Industrial Leave" costs include wage continuation benefits under the California Labor Code 4850 and the City's Industrial Leave Program. Wage continuation benefits can be affected by changes to employees' salaries. "Temporary Disability" costs include payments to an injured worker who loses wages because the injury prevents the worker from doing his or her usual job while recovering.

Source: Auditor generated based on costs published in the Risk Management Department's Annual Reports.

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[2] From FY2020 to FY2021, the most significant cost increase is attributed to Industrial Leave, which includes wage continuation benefits under California Labor Code Section 4850 and the City's Industrial Leave Program. Outside of this increase, costs decreased by $2 million. The City provides wage continuation benefits to all eligible City employees through Administrative Regulation 63 Industrial Leave, except for those who are covered by California Labor Code Section 4850 wage continuation benefits. California Labor Code Section 4850 provides for wage continuation benefits for certain public safety employees in lieu of temporary disability payments. Death benefits are payments to dependents of a worker who dies from a job injury or illness.

[3] California's workers' compensation system is highly regulated by California Labor Code, California Code of Regulations, and various case laws. Therefore, workers' compensation related costs are affected by factors beyond the City's control.

Indirect costs incurred by the City include training replacement employees, accident investigation and implementation of corrective measures, lost productivity, repairs of damaged equipment and property, and costs associated with lower employee morale and absenteeism. These indirect costs have been estimated to be at least 2.7 times the direct costs, as referenced in the United States Department of Labor's Occupational Safety and Health Administration (OSHA)'s *Recommended Practices for Safety and Health Programs*. According to another research study referenced by OSHA, for every $1 incurred for direct cost, indirect costs can be as much as $4.50, as shown in **Exhibit 2** below.

Exhibit 2

Indirect Costs May Exceed Direct Costs by as Much as 4.5 Times

$
Direct Costs

Medical Expenses

Indemnity & Industrial Leave Payments

Claim Management

Legal Services

Lost Productivity

Damaged Equipment or Property

Training Replacement Employees

Corrective Measures

Lower Employee Morale & Absenteeism

Accident Investigation

Indirect Costs
$$$$
Indirect Costs can be as much as 4.5 times Direct Costs

Source: Auditor generated based on information from OSHA website.

City departments vary in the number of new workers' compensation claims filed[4] and workers' compensation costs incurred. Departments with public safety functions—the San Diego Police Department (Police) and the San Diego Fire-Rescue Department (Fire-Rescue)—account for nearly 70 percent of the workers' compensation costs incurred by the City. Specifically, Police represented 47 percent, on average, of the City's total workers' compensation direct costs from FY2017 to FY2021 and Fire-Rescue represented 21 percent, on average. **Exhibit 3** shows workers' compensation costs incurred for claims filed by employees from Police, Fire-Rescue, and all other City departments.

Exhibit 3

Workers' Compensation Cost Incurred by Police, Fire-Rescue, and All Other Departments ($ in Millions)

Note: According to the Workers' Compensation Division, a few factors impacted the increases since 2020, including COVID-19 and the addition of Post-Traumatic Stress Disorder (PTSD) as a presumption for certain Police and Fire-Rescue employees.

Source: Auditor generated based on costs published in the Risk Management Department's Annual Reports.

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[4] The number of new workers' compensation claims filed includes both accepted and denied claims.

While Police and Fire-Rescue are the two largest departments within the City, these departments also have higher numbers of new claims filed per 100 FTEs compared to other departments. On the other end, even though the Environmental Services Department (ESD) only represents 4 percent of the City's workers' compensation expense, it has the second highest number of new claims filed per 100 FTEs. Each year, 1 of every 4 employees (25 percent) in Fire-Rescue and ESD filed a claim, and 1 of every 5 employees (20 percent) in Police and Fleet Operations filed a claim.[5] **Exhibit 4** shows the average number of new workers' compensation claims filed per 100 FTEs between FY2018 and FY2020 for departments included in our review.

Exhibit 4

3-Year Average Number of New Workers' Compensation Claims Filed per 100 FTEs for Departments Included in Our Review
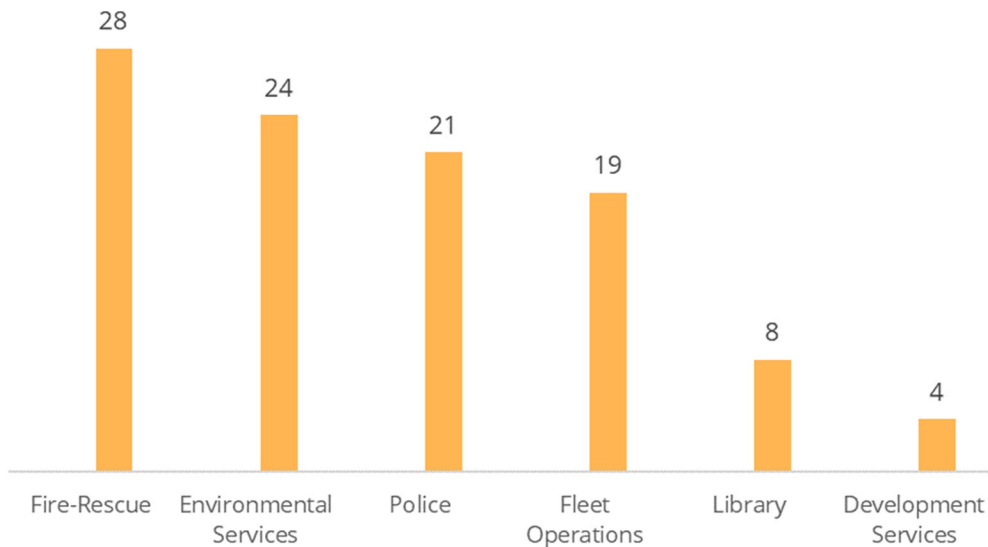
Note: Figures above reflect average numbers of claims filed per 100 FTEs between FY2018 and FY2020. FTE counts are based on actual FTEs from the City's adopted budget reports. The Facilities Services Division was merged into Fleet Operations as reflected in Fleet Operations' FY2020 actual FTEs. To keep consistency, Fleet Operations' average in FY2018 and FY2019 include both Facilities Services and Fleet Operations.

Source: Auditor generated based on claims data provided by the Risk Management Department and the City of San Diego's annual budget reports.

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[5] Based on the average number of new claims and average actual FTEs from FY2018 to FY2020.

The Compliance Department's Occupational Safety and Health program (OSH) administers the Citywide Injury and Illness Prevention Program (IIPP), which provides a basic framework for the City's health and safety programs.

The best way to minimize workplace injuries and reduce workers' compensation costs is to prevent injuries from happening in the first place through effective safety and health programs. Employers in California are required by State law to establish, implement, and maintain an effective Injury and Illness Prevention Program (IIPP). IIPP has nine core elements: (1) responsibility; (2) compliance; (3) communication; (4) hazard assessment; (5) injury and illness investigation; (6) hazard correction; (7) training and instruction; (8) employee access to the IIPP; and (9) recordkeeping.

According to the Citywide IIPP, the Compliance Department's Occupational Safety and Health program (OSH) is the administrator of the Citywide IIPP and has the authority and responsibility for implementing the provisions of the IIPP for the City. OSH updated the Citywide IIPP at the end of calendar year (CY)2021. Under the updated IIPP, all department managers, supervisors, and designated personnel are responsible for implementing and maintaining department-specific IIPPs, as reflected in **Exhibit 5** below. OSH is currently working with City departments to create or update IIPP documents that are specific to each department.

Exhibit 5

Responsibilities Under the Citywide Injury and Illness Prevention Program
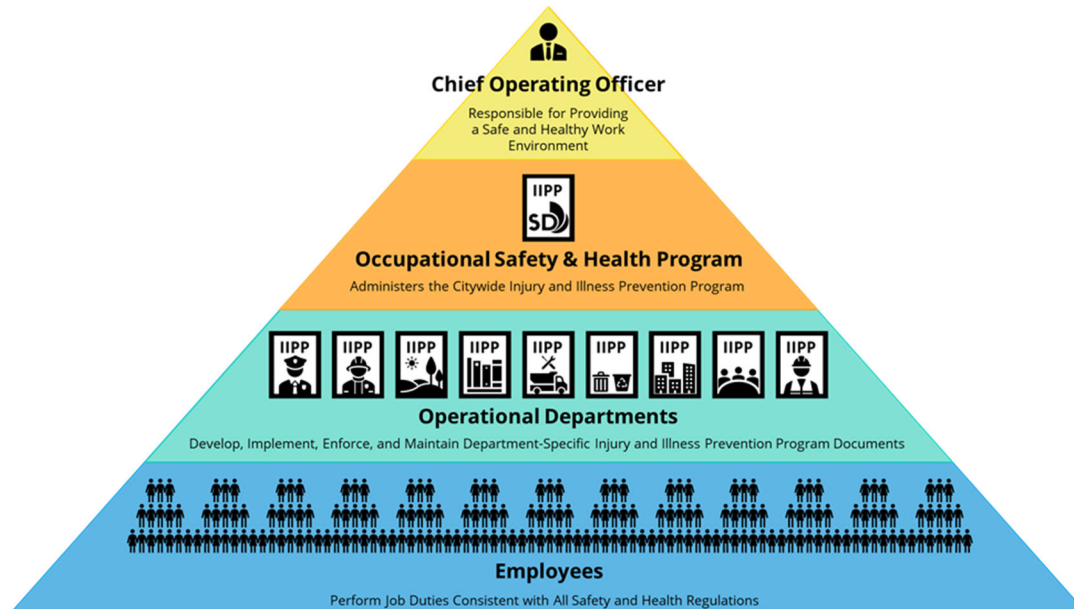
Source: Auditor generated based on the Citywide Injury and Illness Prevention Program.

OSH was formerly part of the Risk Management Department and operated as the Safety and Environmental Health Division; in FY2022, OSH was relocated to the Compliance Department to elevate the importance of health and safety programs for the City workforce. OSH is budgeted for $0.8 million and six full-time equivalent positions (FTEs) in FY2022. OSH provides guidance to safety personnel in other City departments and serves as the safety group for departments that do not have in-house safety staff. OSH also manages the City's Vehicle/Industrial Incident reporting and the Commercial Driver Program and coordinates compliance with local, state, and federal regulations related to health and safety.

The City established the Safety and Risk Oversight Committee (SROC) to promote a culture of safety and mitigate liability risks.

In June 2020, the Office of the City Auditor (OCA) completed a performance audit of the City's public liability management. The audit found the City's approach to public liability mitigation was largely decentralized, reactive, and likely resulted in higher liability claims and costs than necessary. The City established the Safety and Risk Oversight Committee (SROC) in response to one of the audit recommendations; SROC is intended to require and facilitate collaboration between liability-incurring departments to identify, develop, and implement risk mitigation strategies. SROC had its first meeting in March 2022 with the intent to meet quarterly moving forward. SROC provides a forum for departments to share safety strategies, discuss challenges, and hear updates from the Compliance Department and the Risk Management Department on safety and risk regulations, reports, and other items. The committee is comprised of the Chief Financial Officer, the Chief Compliance Officer, management of the Risk Management Department and the Compliance Department, as well as department heads and safety staff of operational departments.

An effective safety and health program not only protects employees from injury and illness but also helps reduce workers' compensation costs to

According to OSHA's *Recommended Practices for Safety and Health Programs*, establishing a safety and health program is one of the most effective ways to protect City employees. An effective safety and health program can prevent workplace injuries, illnesses, and deaths. It can also demonstrate the City's commitment to employee safety and health, which can lead to other benefits including: decreases in workers' compensation

the City and increase productivity and service quality.

claims and related costs, decreases in lost time and productivity, better workplace morale, improvements in process and service quality, and a more favorable image and reputation among communities.

Risk Management's Workers' Compensation Division has a robust process for administering the City's workers' compensation program.

The City is required by State laws and regulations to provide injured employees with prompt medical treatment and indemnity benefits if a workplace injury occurs. The Risk Management Department's Workers' Compensation Division (Workers' Compensation) administers the City's workers' compensation program using its workers' compensation claims system, iVOS. Workers' Compensation is budgeted for $5.4 million and 43 FTEs in FY2022. Workers' Compensation is responsible for processing workers' compensation claims under State laws and regulations; providing information and assistance to injured employees and City departments; investigating, determining, and delivering appropriate workers' compensation benefits, including all medical benefits, temporary disability benefits, permanent disability benefits, death benefits to surviving dependents, and salary continuation benefits (Labor Code Section 4850 benefits and Industrial Leave); and coordinating return-to-work programs. The City's Workers' Compensation Program is self-insured and self-administered. Since FY2019, the City has been purchasing excess workers' compensation insurance coverage above its self-insured retention of $5 million.[6]

The Workers' Compensation Division has instituted several internal controls to improve its operational efficiency. Workers' Compensation has developed detailed operating manuals for its Claims Adjusters that provide guidelines for complying with State law requirements on administering workers' compensation benefits, using various workers' compensation related IT systems, coordinating light duty/modified duty, and communicating with internal and external parties involved in the claim management process, such as physicians, injured employees' departments, attorneys, etc. Additionally, Workers' Compensation maintains a list of red flags for potential workers' compensation fraud. When red flags are identified, Claims

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[6] The City will pay costs associated with a claim until the self-insured retention limit is reached. After that point, the insurer will make additional payments that are covered by the insurance policy.

Adjusters can request an investigative service provider to conduct further investigations, including surveillance, background checks, and claimant statements. Additional internal controls Workers' Compensation has in place to prevent and detect workers' compensation fraud are discussed in detail in Finding 3. In addition, Workers' Compensation has been creating new guidelines as the need arises to provide Claims Adjusters with additional guidance and support. According to Workers' Compensation, all Claims Adjusters are certified in accordance with State requirements. Claims are assigned to adjusters with appropriate seniority and experience based on the complexity of the claim.

The Workers' Compensation Division has reinvented its core process and adopted new collaboration tools to cope with COVID-19 impacts on its operations. Workers' Compensation assembled a working group to spearhead the transition of the claims management process to a paperless environment. This, along with timely upgrades to technological tools, enabled a great majority of staff to work remotely when COVID-19 broke out. The transition to a paperless environment helped minimize the pandemic's impact on workers' compensation claims processing.[7] Workers' Compensation also formalized internal meetings in a remote setting to ensure any claims related issues are communicated in a timely manner and that supervision is effective.

Improving workplace safety and minimizing workers' compensation related costs requires a multi-pronged approach.

OSH provides Citywide direction on safety programs and provides departments with a central resource on safety standards and regulations, departmental safety plans, workplace ergonomics, and guidance on the implementation of safety protocols. Adopting a data-driven approach is essential for OSH to ensure continuous improvement to the City's safety programs. While OSH is the administrator of the Citywide IIPP, departments are responsible for implementing and maintaining department-specific IIPPs, clearly communicating safety policies and procedures to all employees, and providing job-specific trainings to employees. Department supervisors are tasked with investigating and recording incidents and near-misses as well as

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[7] However, the volume of workers' compensation claims increased by about 13 percent between FY2020 and FY2021, primarily due to COVID-19 related claims.

implementing corrective measures to prevent their reoccurrence. Additionally, a safety program will not be effective without the meaningful participation of its employees. Employees have much to gain from a successful program and the most to lose if the program fails. Therefore, all employees should be able to report workplace hazards without fear of reprisal. OSH, departments, and all employees must work together to build and sustain a safe workplace. Although improving workplace safety can help prevent injuries, some incidents may still occur. In the event of an incident, it is critical for the Risk Management Department's Workers' Compensation Division to review and process the workers' compensation claim in a timely manner, in accordance with laws and regulations. It is also important for Workers' Compensation to help the injured employee return to work safely. Workers' Compensation should also play a critical role in investigating and tracking red flags and fraud tips to ensure that the City does not incur unnecessary costs. This multi-pronged approach is summarized in **Exhibit 6**.

Exhibit 6

Improving Workplace Safety and Minimizing Workers' Compensation Related Costs Requires a Multi-Pronged Approach

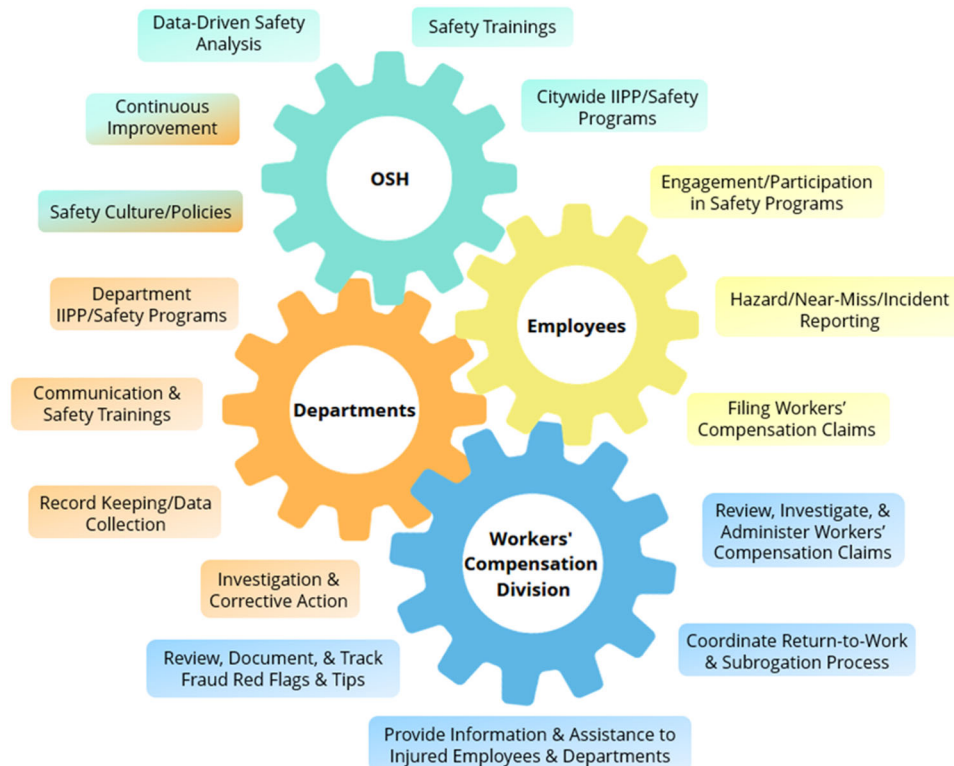Source: Auditor generated based on Citywide IIPP, audit findings, and best practices.

Audit Results

Finding 1: Some departments do not meet the Citywide Injury and Illness Prevention Program requirements, which likely contributes to higher injury rates and workers' compensation costs.

According to the Citywide Injury and Illness Prevention Program (IIPP), the Compliance Department's Occupational Safety and Health program (OSH) is the administrator of the Citywide IIPP and has the authority and responsibility to implement the provisions of the IIPP for the City. One of the provisions of the IIPP is that 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 at each department, we found that some departments' safety programs do not address core elements of the Citywide IIPP. In addition, we found OSH had not, until recently, started reviewing and verifying that departments have implemented and continue to maintain their safety programs. Furthermore, interviews with City staff indicated that some departments may not have enough resources dedicated to safety, including departments whose safety personnel may have other job duties that limit their ability to manage and promote an effective safety program.

As a result, compliance with the Citywide IIPP requirements have varied widely across departments. This has likely contributed to the City having higher rates of workers' compensation claims than similar agencies. In addition, the lack of comprehensive safety programs likely increases workers' compensation costs and lost work time, which negatively impacts the City's ability to deliver the critical services residents expect. Further, many respondents to our survey of City employees indicated a lack of confidence in the City's safety programs. We make four recommendations to help address these issues.

Some departments' safety programs do not address core elements of the Citywide IIPP. We reviewed the safety programs in place at six City departments to determine whether they include the core elements described in the Citywide IIPP.[8] As discussed in the Background, the Citywide IIPP has nine core elements, which departments incorporate into their department-specific IIPP and can modify to meet their needs:

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[8] The IIPP was updated in November 2021, so department programs are compared to the previous IIPP rather than the current IIPP.

1. Responsibility

2. Compliance

3. Communication

4. Hazard assessment

5. Incident/exposure investigation

6. Hazard correction

7. Training and instruction

8. Employee access to IIPP[10]

9. Recordkeeping[9]

Our review included the following departments:

- San Diego Fire-Rescue Department (Fire-Rescue)

- San Diego Police Department (Police)

- Environmental Services Department (ESD)

- Fleet Operations

- San Diego Public Library (Library)

- Development Services Department (DSD)

We selected these departments judgmentally based primarily on the average number of workers' compensation claims per FTE from fiscal year (FY)2019 through FY2021 but also included two relatively smaller departments that are public facing and still had relatively high ratios.[10]

Based on our review, we found that some departments have not developed safety programs that meet the Citywide IIPP requirements. **Exhibit 7** summarizes the safety programs of these six departments. It is important to note that this judgmental sample of only a few departments demonstrates

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[9] Departments are not required to modify the "Employee Access" and "Recordkeeping" sections of their department-specific IIPP.

[10] The Workers' Compensation Division publishes a Workers' Compensation and Safety Report that covers departments based on the size of the department and the number of claims. These departments are: Engineering and Capital Projects, Environmental Services, Fire-Rescue, Fleet Operations, Parks and Recreation, Police, Public Utilities, Real Estate Assets, and Transportation and Storm Water. Library and DSD have the highest ratio of claims to FTEs among departments not covered by the Workers' Compensation and Safety Report.

that safety programs can vary between departments, but it does not reflect the conditions of safety programs across all City departments.

Exhibit 7

Some Departments Have Not Developed Safety Programs that Include All Core Elements of the Citywide Injury and Illness Prevention Program

Department	Department-Specific IIPP	Designated Party Responsible for Safety and Health Policies	Safety Communications	Periodic Inspections	Hazard Correction	Regular Safety Trainings	Additional Elements
Fire-Rescue	✔	✔	✔	✔	✔	✔	Department Occupational Safety and Health Committee
ESD	✔	✔	✔	✔	✔	✔	Safety Incentives Program
Fleet Operations	✗	✔	✔	✔	✔	✔	
Police*	✗	✗	✗	✗	✗	✗	
Library	✗	✗	✔	✔	✔	✗	
DSD	✗	✗	✗	✗	✔	✗	

*Although Police had documentation of procedures for all of these activities, we were informed that the safety program was not active as of February 2022.

Source: Auditor generated based on review of department materials and interviews with department management.

As shown in **Exhibit 7**, some departments, such as Fire-Rescue, have extensive safety programs that include documented procedures for investigating accidents and near misses, analyzing trends in injuries and illnesses, and communicating safety information and trainings based on the analysis. Other departments, such as ESD and Fleet Operations, have practices in place to review and evaluate safety hazards and injuries, but the practices are not fully documented and depend on the knowledge of existing staff. Still others, such as Police, Library, and DSD, do not have active safety programs for proactively identifying safety hazards or analyzing injuries and illnesses. **Appendix C** provides further details for the safety programs of each department we reviewed.

The City has higher workers' compensation claims rates than the average of other cities, and its costs have been increasing.

The completeness of safety programs varies across City departments, which likely contributes to higher employee injury rates and costs. The City's workers' compensation claims rate is above average among other large cities in California. From FY2017 to FY2021, the City had an average of 14.7 workers' compensation claims per 100 FTEs, which is 17 percent higher than the average among California cities with workforces over 3,000.[11] **Exhibit 8** shows the rates of workers' compensation claims per 100 FTEs among major California cities from FY2017 to FY2021.

Exhibit 8

From FY2017 to FY2021, the City's Rate of Workers' Compensation Claims per 100 FTEs was 17 Percent Higher than the Average of California Cities with Workforces Over 3,000
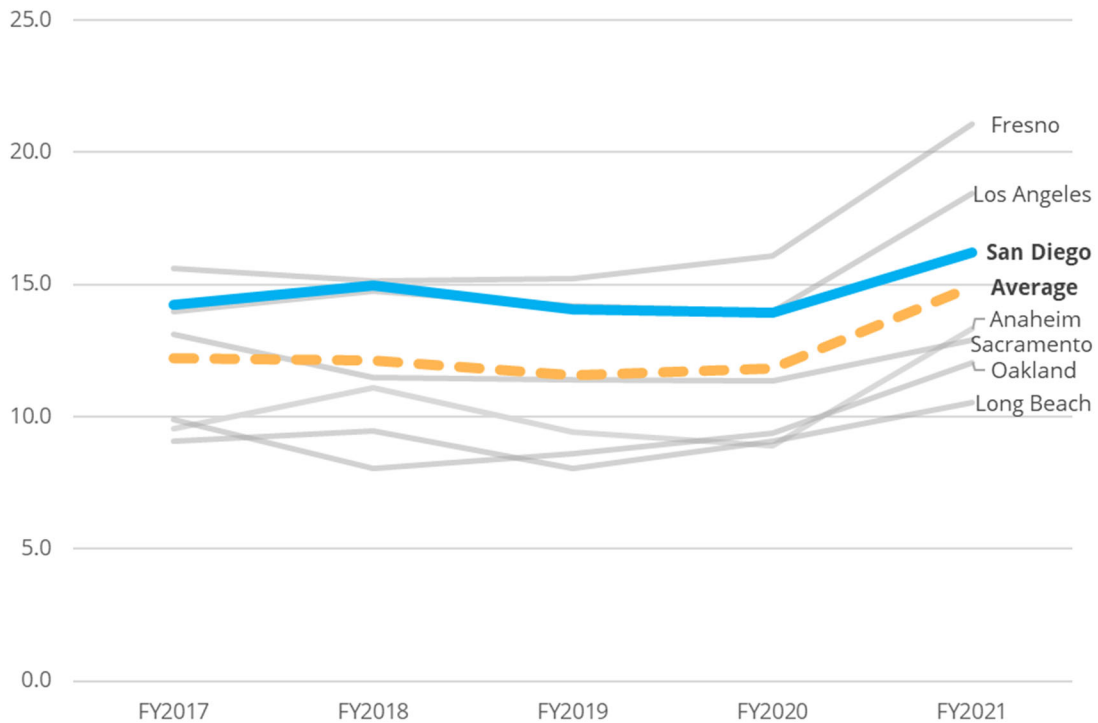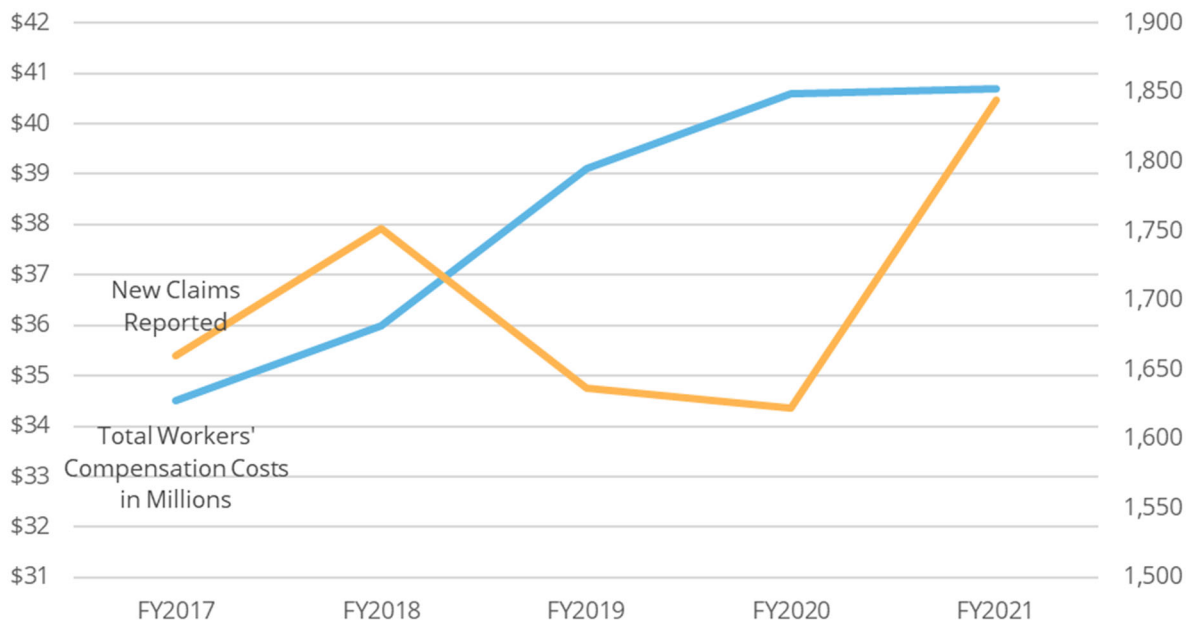

Source: Auditor generated from the California Department of Industrial Relations Office of Self-Insurance Plans' annual report data.

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[11] Anaheim had just under 3,000 employees in FY2021. San Jose was excluded from analysis due to an outlier reporting of over 35 claims per 100 FTEs in FY2020.

The City's workers' compensation costs and work days lost have been rising since FY2016. Workers' Compensation noted that the rise is partly attributable to the COVID-19 pandemic and the addition of post-traumatic stress disorder to presumptive injuries for police officers and firefighters.[12] However, the City's trend towards higher workers' compensation costs and work days lost predated both the pandemic and the new presumptive injury. See **Exhibit 9** for the City's claims and cost trends and **Exhibit 10** for the City's work days lost trends.

Exhibit 9

The City's Workers' Compensation Costs Have Risen Since FY2017

Source: Auditor generated from Risk Management Annual Reports.

The City's work days lost from workers' compensation claims also increased from FY2016 to FY2020. Using work days lost data recorded in the Workers' Compensation Division's claim management system, we estimated that annual time lost due to a work-related injury averaged 33,929 days from FY2016 to FY2020.[13] In FY2020, a total of 38,985 days were lost due to

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[12] Presumptive injuries are injuries that are presumed to be work-related.

[13] According to the Workers' Compensation Division, not all workers' compensation claims result in lost time from work, and there are open claims for which the injured employees are receiving medical treatment only.

injuries. Assuming one employee works 8 hours per day, the total time lost by the City in FY2020 is equivalent to approximately 150 employees not working for an entire year. **Exhibit 10** shows work days lost to workers' compensation injuries from FY2016 to FY2020.

Exhibit 10

The City Lost an Average of 33,929 Work Days Due to Workers' Compensation Injuries from FY2016–FY2020
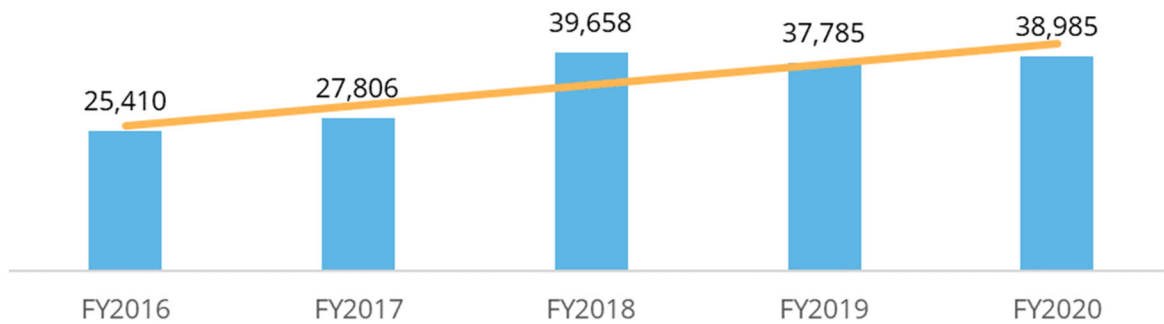
Source: Auditor generated based on data from the City's workers' compensation claims system, iVOS.

As these claims rise, the indirect costs of claims rise as well. As noted in the Background, these indirect costs can be 2.7 to 4.5 times higher than the direct costs of a workers' compensation claim. Based on these estimates, the true cost to the City for work-related injuries may range from $151 million to $224 million per year. The high end of the estimated cost is more than the entire budgets of the Parks & Recreation Department and Library Department combined, as illustrated in **Exhibit 11**. Therefore, even a small percentage reduction in the number of work-related injuries can have a significant impact in terms of cost savings.

Exhibit 11

When Accounting for Indirect Costs, Work-Related Injuries Could Cost the City More Than the Operating Budgets of Parks & Recreation and Library Combined

Parks & Recreation
Department Budget
$156.3M

+

Library Department Budget
$59.7M

$216.0M Total

Estimated Total Cost to the
City of Work-Related Injuries

+ $ 40.7M Direct Cost
$183.2M Indirect Cost

$223.9M Total
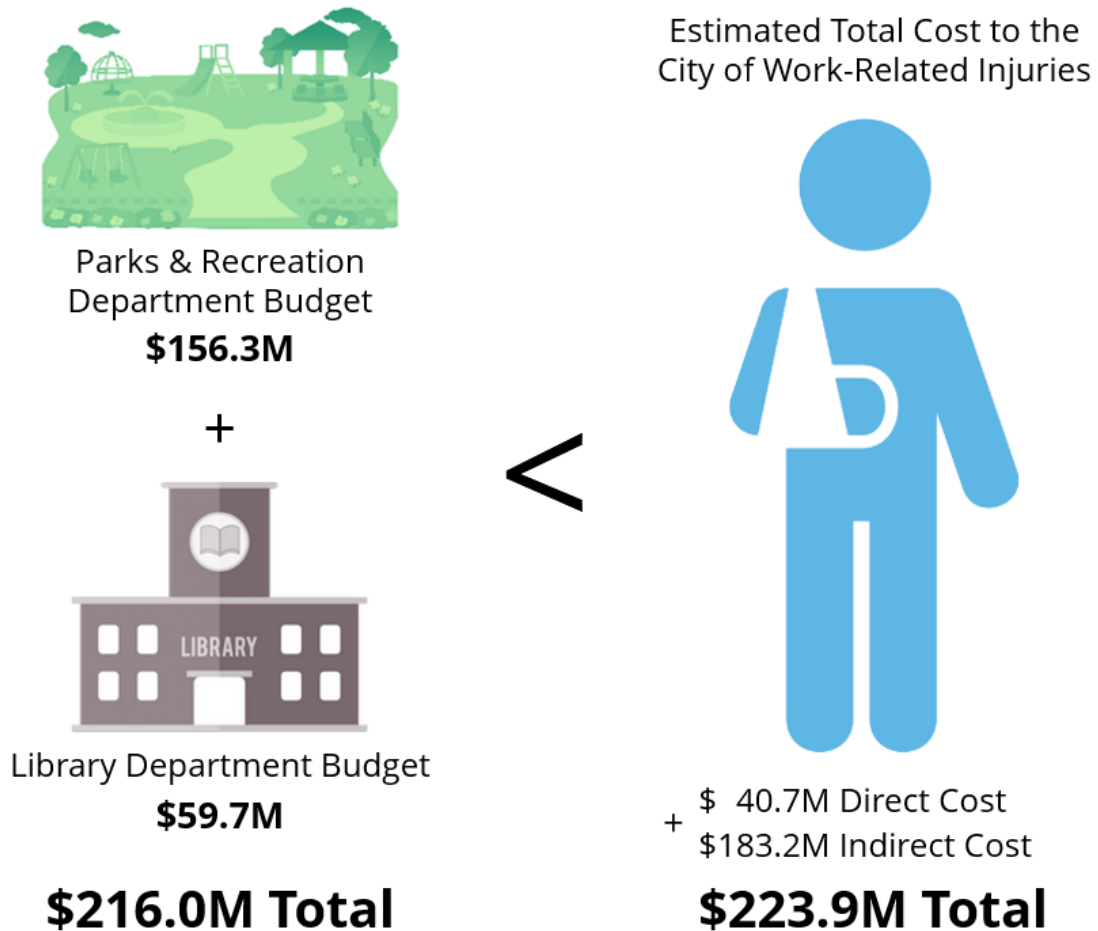
Note: The estimated total cost of the City's work-related injuries represents a high-end estimate.

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

Additionally, employees are the City's most valuable asset. Each employee injured or made ill in a work-related incident is a colleague who would otherwise be healthy. It is part of the City's responsibility as an employer to ensure that the workplace is safe and injuries and illnesses are kept to a minimum for the good of its employees.

We found several factors contributed to some City departments having less comprehensive safety programs than others.

First, under both the previous and current versions of the Citywide IIPP, City departments are primarily responsible for workplace safety.[14] Although each department should have its own IIPP under both the previous and the current IIPPs, OSH stated that under the previous IIPP, some departments did not have their own and relied on the Citywide IIPP alone. Under the new Citywide IIPP, responsibility for implementing provisions of the Citywide IIPP is more centralized, and OSH is currently working with City departments to develop their department-specific IIPPs.

Second, the Compliance Department is tasked with providing compliance and enforcement support for both internal and external stakeholders in several areas, including occupational safety and health. However, the decentralized approach led to a lack of clearly defined roles, responsibilities, and procedures for departments to provide information about their safety programs to OSH for review. As a result, OSH is unable to provide oversight and coordination of the City's safety practices, which increases the risk of departments' noncompliance with State-mandated safety measures. According to the Compliance Department, such noncompliance could result in departments being fined by regulators.

Third, the City does not have Citywide key performance indicators for workplace safety, and OSH does not have key performance indicators of its own.[15] According to the Compliance Department, it is developing key performance indicators for the FY2023 adopted budget. However, the department does not expect to have many safety-related key performance indicators in FY2023 because it does not have the data to determine appropriate key performance indicators. The Compliance Department emphasized that key performance

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[14] The current Citywide IIPP (last revised in November 2021) states that OSH has the authority and responsibility for implementing the provisions of the IIPP for the City. Departments are responsible for implementing and maintaining department-specific IIPPs. The previous Citywide IIPP stated that, "through the City's general direction, each department is charged with developing and implementing a department-specific IIPP."

[15] When OSH was a division of Risk Management, the department did not have key performance indicators for that division. Occupational Safety and Health is now a program within the Compliance Department. Since the Compliance Department was new in FY2022, the department does not yet have any key performance indicators.

indicators in the budget would focus on activities within its control and that Citywide safety key performance indicators would not be entirely within its control.

Fourth, some departments noted that they have few resources for safety activities, which would impact the ability of the department to achieve Citywide safety goals. These departments also stated that their safety personnel have other duties and that they would like to have a more active safety program but do not have the resources to do so.

A Citywide workplace safety management program should include City-level coordination and department-specific safety practices.

OSHA's publication, *Recommended Practices for Safety and Health Programs*, provides recommendations for employers. According to this publication, "establishing a safety and health program in your workplace is one of the most effective ways of protecting your most valuable asset: your workers." This publication has seven core elements of safety and health program recommended practices, which include management leadership, worker participation, hazard identification and assessment, hazard prevention and control, education and training, program evaluation and employment, and communication and coordination for host employers, contractors, and staffing agencies. Larger employers, who have more complex work processes and hazards, may require a more formal and detailed program. They may also wish to integrate their safety and health program with other programs that they are using to manage production, quality control, and environmental protection or sustainability.

For management leadership, the publication recommends communicating the organization's commitment to a safety and health program. The City accomplishes this through its Citywide IIPP, which was recently updated; all employees were required to acknowledge receipt of the updated policy. The publication also recommends defining realistic, measurable goals for improving safety and health, allocating resources needed to implement the safety and health program, and expecting performance by establishing roles and responsibilities. The City currently does not do this across all departments.

For program evaluation and improvement, the publication recommends monitoring performance and progress (discussed

in more detail in Finding 2), verifying that the program is implemented and operating, and correcting program shortcomings and identifying opportunities to improve. The City is not currently able to enact these recommendations because OSH is not able to monitor or identify opportunities to improve implementation of the City's safety and health program across all departments.

Although best practices recommend entity-wide management leadership and program evaluation, individual departments must address their specific workplace safety concerns. The Citywide IIPP—including both the previous IIPP and the current revision—requires each department to create its own IIPP. Additionally, the International Organization for Standards' Occupational Safety and Health Management Systems standard (ISO Standard 45001) includes integrating occupational safety and health into the organizational business process. Because the City has a wide variety of business processes, each department needs to adopt occupational safety and health practices that are specific to its needs.

To understand how organizations can implement an effective safety program, we met with the Executive Director of Environmental Health and Safety at the University of California. Similar to the City of San Diego, the University of California also has multiple locations, each with a wide variety of business processes with unique safety concerns. Within the university setting, campuses are sometimes referred to as a "city on a hill" in that they have various departments, although they do not usually have fire departments. Therefore, there is a fair amount of broad general industry jobs within the university. According to the University of California, the University of California system has a central safety program in the Office of the President, but each campus has its own program to address its particular needs. According to the University of California's Executive Director of Environmental Health and Safety, the University of California does have system-wide policies and expectations and has developed several programs, but each campus is responsible for writing specific policies and deciding how to best meet requirements.

A Citywide workplace safety program could create incentives for investing in safety measures and opportunities to learn from other departments.

According to the Executive Director of Environmental Health and Safety, the University of California system is a very large organization with 10 campuses, and there are about 500 safety personnel across the campuses, with about five at the Office of the President to provide general direction to all University of California locations. According to the University of California, the Office of the President's Environmental Health and Safety Division convenes Environmental Health and Safety directors from across the system once a month to look at the overall program holistically.

According to the University of California, the Be Smart About Safety (BSAS) program created an incentive for departments to invest in safety measures. Under BSAS, the Office of the President's Office of Risk Services allocates a percentage of its total budget each year to fund proactive loss prevention and loss control projects at campuses and medical centers. This funding is awarded for projects intended to reduce the frequency and severity of potential loss in the areas of workers' compensation, automobile liability and physical damage, employment practices liability, general liability, and property. To secure funding, departments must submit proposals, and all safety proposals must include metrics to measure their outcome. Lessons learned are shared systemwide. For example, the University of California analyzed its injury data by extracting total case Incident Rate—which measures injuries per 100 FTEs—and Days Away, Restricted, or Transferred (DART) Rate—which measures lost productivity from injuries per 100 FTEs—and compared against Bureau of Labor statistics to help prioritize its efforts to reduce workers' compensation claims.

The City reorganized the Occupational Safety and Health program into the Compliance Department to provide Citywide oversight and coordination of safety practices.

The City has been making progress towards establishing a Citywide safety management program by reorganizing the position and role of OSH. In FY2022, the City established the Compliance Department and brought the Occupational Safety and Health Division from the Risk Management Department into the Compliance Department. According to the ordinance establishing the Compliance Department, the department is responsible for: "providing Citywide oversight, training, coordination, and direction for safety practices, programs, and policies to ensure worker safety and compliance with applicable

federal, state, and local laws and regulations." In addition, according to OSH, departments are the subject matter experts in their specific operations. Therefore, while departments are responsible for specific safety policies relevant to the work conducted by their employees, OSH is positioned to coordinate and oversee a Citywide safety management program as recommended by best practices.

Survey respondents indicated that they do not believe their departments follow safety practices, which are part of the Citywide IIPP.

To gauge the culture of workplace safety in the City, we conducted a workplace safety culture survey and received 821 responses.[16] Although the City conducts an employee satisfaction survey, that survey does not include questions regarding workplace safety. It is important to note that this workplace safety survey represents the perceptions and opinions of those who chose to respond. As a result, it may not accurately reflect the actions of the City and management in attempting to keep workers safe or the actions of their coworkers. Additionally, it may not be fully reflective of the opinions and perceptions of all employees because it only includes information from those who opted to respond. Those who did not respond—for whatever reason—are not represented, and the results cannot be extrapolated to those who did not respond.

In our survey, we asked about safety practices that are part of the Citywide IIPP, and respondents indicated that they do not believe their departments are following some of these practices. For example, the Citywide IIPP states, "Periodic inspections consist of identification and evaluation of workplace hazards utilizing effective methods to identify and evaluate workplace hazards." The Citywide IIPP also states that "Periodic workplace hazards inspections will be performed by department management or designee on a regularly scheduled basis," and under certain other conditions. However, as shown in **Exhibit 12**, only 42 percent of supervisor respondents (71/171) and only 44 percent of manager respondents (33/75) agreed that periodic inspections are conducted at their department. Additionally,

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[16] The survey only asked questions for supervisors or managers if the respondent indicated they were a supervisor or a manager respectively, and respondents were not required to answer all questions. Therefore, the total number of respondents for specific questions may not be the same as the total number of survey respondents.

although the Citywide IIPP applies to all departments, 32 percent of manager respondents (24/75) indicated that they did not know if periodic inspections were conducted or believed this requirement did not apply.

Exhibit 12

Fewer Than Half of Supervisor and Manager Respondents Agreed that Periodic Safety Inspections are Conducted at Their Departments

"Periodic inspections are conducted at my department."

42%
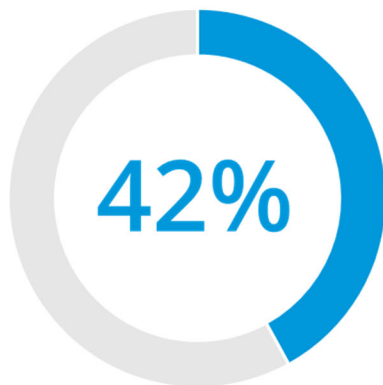
Supervisors
who agreed

44%
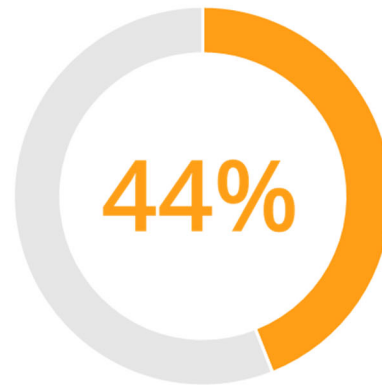
Managers
who agreed

Source: Auditor generated based on survey of City employees.

Although training is an essential element of workplace safety, as shown in **Exhibit 13**, 42 percent of respondents (323/766) reported that they do not believe their department provides sufficient training on how to perform their job functions safely. Additionally, 36 percent of respondents (247/685) reported that they believe others at their department sometimes risk their own safety to perform a task.

Exhibit 13

Over 42 Percent of Survey Respondents Did Not Agree that Their Department Provides Sufficient Training on How to Perform Their Job Functions Safely

Source: Auditor generated based on survey of City employees.

Many respondents indicated that they do not believe their concerns are heard or addressed.

Although the IIPP calls for employees to be included in safety programs, only 23 percent of employees (170/724) agreed that they are frequently asked about their safety concerns. Additionally, as shown in **Exhibit 14**, 34 percent of respondents (243/725) did not agree that they know how to report safety concerns. Furthermore, 38 percent of respondents (260/685) agreed that they believe there are safety issues at their workplace that have not been resolved.

Exhibit 14

Over a Third of Survey Respondents Did Not Agree That They Know How to Report Accidents, Injuries, Near-Misses, and Other Safety Issues.

"I know how to report accidents, injuries, near-misses, and other safety issues."

34%
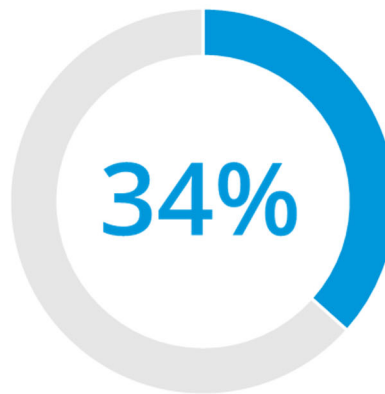
Survey Respondents
who did not agree

Source: Auditor generated based on survey of City employees.

The lack of Citywide workplace safety management contributes to the City responding reactively to injuries.

Without safety programs that address all core elements of the Citywide IIPP, some departments are not able to identify and act on potential safety hazards. Additionally, the lack of a Citywide safety management program means the City does not have the information necessary to analyze trends or identify safety hazards across departments. This contributes to the City's reactive response to injuries and workplace safety, as discussed further in Finding 2.

Overall, we found that implementing more comprehensive safety programs across City departments could help the City more effectively reduce workplace injuries and costs. Specifically, we recommend:

Recommendation 1

To specify roles and responsibilities in the process of implementing, maintaining, and monitoring department-specific Injury and Illness Prevention Programs (IIPPs), the Compliance Department's Occupational Safety and Health program (OSH) should establish and implement an Administrative Regulation or process narrative that includes the following elements.

For operating departments, the Administrative Regulation or process narrative should establish roles and responsibilities that include:

- Developing and implementing a department-specific IIPP that meets State requirements and department-specific needs;

- Providing the department-specific IIPP to OSH for review;

- Collecting information on activities supporting the IIPP and reporting it to OSH; and

- Conducting an annual review of the department-specific IIPP and reporting the results to OSH with an attestation from the department director.

For OSH, the Administrative Regulation or process narrative should establish responsibilities that include:

- Educating departments on requirements for department-specific IIPPs;

- Reviewing department-specific IIPPs for compliance with State requirements and conformance with Citywide workplace safety goals;

- Notifying appropriate Deputy Chief Operating Officers and the Chief Operating Officer of departments lacking an IIPP;

- Requesting departments review their IIPP annually, report to OSH the results of their review with an attestation by each department director on the accuracy of the update, and report any changes to the department-specific IIPP; and

- Summarizing annual updates from departments in an annual Citywide safety report to Department Directors,

Deputy Chief Operating Officers, the Chief Operating Officer, and the Safety and Risk Oversight Committee. (Priority 1)

Recommendation 2

To help ensure the Occupational Safety and Health program (OSH) is fulfilling its goals, the Compliance Department should establish Key Performance Indicators (KPI) for OSH that include measurable progress towards safety goals. The Compliance Department should consider KPIs that include, but are not limited to: trainings conducted by OSH, response time to reports of safety concerns or hazards received by OSH, and departments reviewed by OSH for compliance with their Injury and Illness Prevention Program.

As part of this endeavor, OSH should consider developing a Citywide workplace safety incentives program for investing in safety measures and creating opportunities to learn from other departments, similar to the University of California's Be Safe About Safety initiative, and consider external funding sources such as occupational safety and health grants from outside agencies. (Priority 2)

Recommendation 3

To help address employee concerns and improve Citywide workplace safety culture, the Compliance Department's Occupational Safety and Health program (OSH) should work with the Performance and Analytics Department to include questions regarding workplace safety programs in the Employee Satisfaction Survey (ESS). In addition to department directors, OSH should receive a copy of ESS results and use the results of the survey to analyze potential Citywide trends or employee concerns and coordinate with departments—allowing for departments with designated safety personnel to conduct their own analysis—to address employee concerns and make process adjustments to improve department safety programs, such as reporting safety concerns, conducting periodic inspections, providing regular training, and promoting a safe workplace. (Priority 2)

Recommendation 4

To ensure all employees are aware of how to report safety concerns, the Compliance Department's Occupational Safety and Health program (OSH) should prepare annual notifications that provide all City employees with information on how to report

safety concerns. For departments with designated safety personnel, OSH should coordinate these annual notifications to ensure the notifications are aligned with the departments' specific procedures for reporting safety concerns. For departments without designated safety personnel, OSH should send these annual notifications to employees. (Priority 3)

Finding 2: The City should proactively prevent workplace incidents by conducting incident investigations with a focus on root cause analyses; collecting and analyzing injury, illness, and near-miss data; and using safety performance indicators to continuously improve safety program effectiveness.

Conducting a root cause analysis of a workplace incident—a fatality, injury, illness, or near-miss—enables the employer to identify the underlying or systemic causes of the incident. By conducting root cause analysis and addressing root causes, an employer may be able to prevent similar incidents from happening again and avoid unnecessary direct and indirect costs associated with the incident. We found a lack of Citywide requirements for root cause analysis and corrective actions, coupled with insufficient incident investigation trainings provided to supervisors, has contributed to inconsistent and ineffective incident investigation practices.

As costs of workplace incidents incurred by the City continue to grow, 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 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 lagging and leading indicators, to evaluate and improve the effectiveness of its injury and illness prevention strategies.

The City's workers' compensation medical costs have increased while workers' compensation medical costs paid by California insurers and self-insured employers have decreased.

As discussed in Finding 1, the City has a higher workers' compensation claims rate than other large California cities. In addition, despite continued increases in the Medical Consumer Price Index from 2014, California's workers' compensation medical costs paid by California insurers and self-insured employers[17] decreased a total of 8.4 percent from 2014 to 2019. This is illustrated in **Exhibit 15**.

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[17] Note that the trend is based on costs incurred by all California insurers and self-insured employers, not only public self-insured employers.

Exhibit 15

Despite Continued Increases in the Medical Consumer Price Index, Workers' Compensation Medical Costs Paid by California Insurers and Self-Insured Employers Decreased by 8.4 Percent from 2014 to 2019
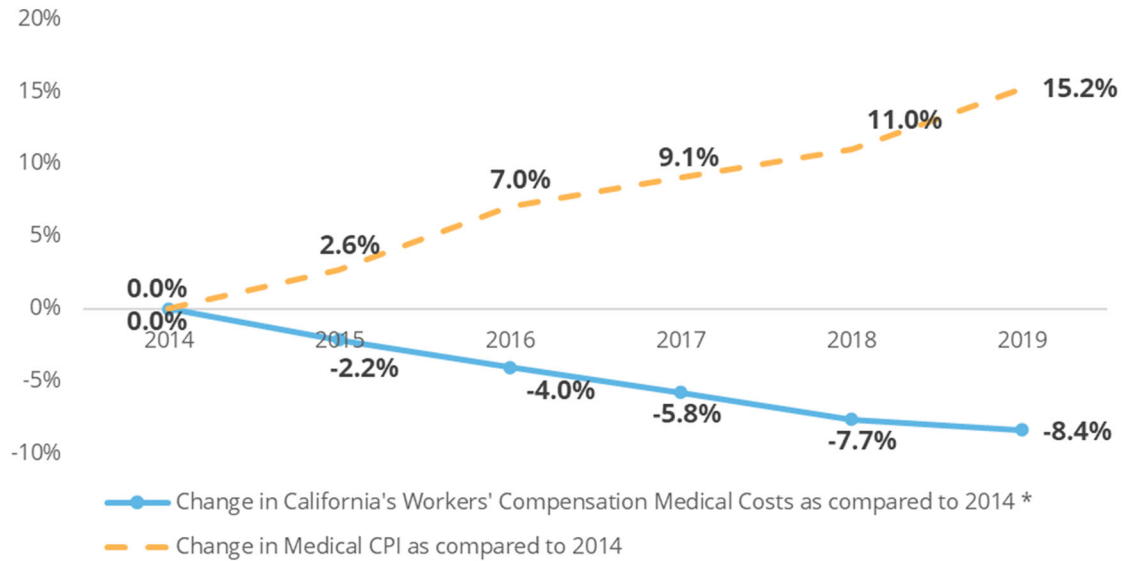
Source: Auditor generated based on data from the California Commission on Health and Safety and Workers' Compensation 2020 Annual Report.

In contrast, medical costs paid by the City increased 23 percent from FY2014 to FY2019, as shown in **Exhibit 16**.

Exhibit 16

The City's Workers' Compensation Medical Costs Have Increased by 23 Percent Since FY2014
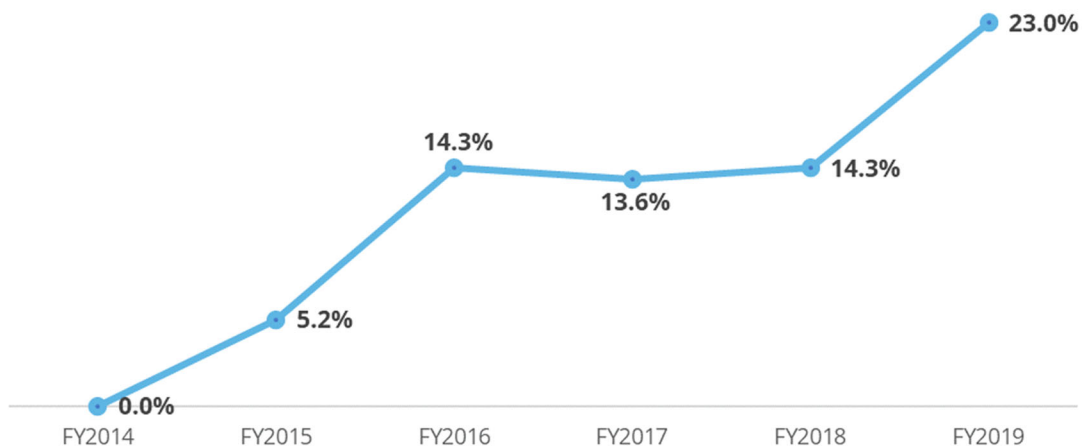
Source: Auditor generated based on data from Risk Management Annual Reports.

OSHA recommends that employers take a proactive systems approach to managing workplace safety and health, with a focus on root cause analysis of incidents.

Performing root cause analysis following an incident or near miss is encouraged by both the federal Occupational Safety and Health Administration (OSHA) and the U.S. Environmental Protection Agency (EPA). OSHA provides a four-step systems approach for incident investigation that focuses on the root causes of the incident to prevent it from reoccurring. The approach includes preserving/documenting the scene, collecting information, determining root causes, and implementing corrective actions, as reflected in **Exhibit 17**. Each step in the investigation helps address four important questions: "What happened?", "How did it happen?", "Why did it happen?", and "What needs to be corrected?"

Exhibit 17

OSHA Four-Step Systems Approach for Incident Investigation

Step 1 — Preserve/Document the Scene: Preserve the scene to prevent material evidence from being removed or altered. Document the incident facts, including the use of video recording, photography, and sketching.

Step 2 — Collect Information: Collect incident information through interviews, document reviews, and other means.

Step 3 — Determine Root Cause: Determine the underlying reasons why the incident occurred in the workplace. Root causes generally reflect management, design, planning, and organizational and/or operational failures.

Step 4 — Implement Corrective Action: The investigation is not complete until corrective actions are implemented that address the root cause(s) of the incident. Implementation should entail program-level improvements and should be supported by senior management.

Source: Auditor generated based on OSHA's incident investigation guide, *Incident Investigations: A Guide for Employers*.

Based on OSHA's incident investigation guide, *Incident Investigations: A Guide for Employers*, the City could benefit from going beyond minimum investigation requirements by adopting a systems approach focused on root cause analysis to prevent

the injury from reoccurring. A systems approach is based on the principle that the root cause of an incident can be traced back to failures of the programs that manage safety and health in the workplace. A root cause analysis enables the employer to look beyond generalized or immediate causes of the injury and discover the underlying reasons why unsafe conditions exist or why a procedure or safety rule was not followed. In a systems approach, the goal is to eliminate unsafe conditions by implementing adequate barriers and safeguards against factors or program deficiencies that cause unsafe conditions or actions.

Incident investigations without root cause analysis and corrective actions are ineffective in preventing future injuries/illnesses.

The City follows State law requirements by having an Injury and Illness Prevention Program (IIPP) that addresses hazard investigation and hazard correction, but it does not require that root cause analysis and corrective action plans be included in injury investigations. The California Code of Regulations requires employers' IIPPs to include a procedure to investigate occupational injury/illness as well as procedures for correcting unsafe/unhealthy conditions, work practices, and work procedures. In compliance with the law, the Citywide IIPP requires department-designated personnel to conduct investigation of workplace incidents, hazardous substance exposures, and near-miss incidents when discovered. However, as part of the incident investigation process, the IIPP only suggests—rather than requires—the determination of the cause of the incident and the implementation of corrective measures to prevent the incident from reoccurring.

The Compliance Department's Occupational Safety and Health program (OSH) has created a Citywide Supervisor Injury/Illness Investigation Form (see **Appendix D**) to help facilitate injury/illness investigations. According to OSH, the Citywide form is adapted from Cal/OSHA[18] Form 301 Injury and Illness Incident Report. In addition to elements of Cal/OSHA Form 301, the Citywide form includes critical components of an effective incident investigation, such as identifying the primary cause of the injury, whether the employee was performing the job as trained and wearing personal protective equipment if applicable, and recommended corrective measures and mitigation. The

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[18] The Division of Occupational Safety and Health (DOSH), better known as Cal/OSHA, sets and enforces health and safety standards in California.

Citywide form also emphasizes that the goal of conducting injury and illness investigation is fact finding to reveal contributing factors and preventative actions that, if implemented, should make it very difficult for the incident to reoccur. Using the Citywide investigation form would help departments identify the primary cause and potentially the root cause of the injury so that departments can develop corresponding corrective actions. However, the use of the Citywide form is optional. According to OSH, if departments choose to use their own form instead of the Citywide form, the department's form is only required to include elements of Cal/OSHA Form 301. Therefore, since Cal/OSHA Form 301 does not contain all elements of an effective incident investigation, departments are not specifically required to perform root cause analyses and corrective actions in their investigations. This means some departments may forgo these steps in their incident investigations, rendering their investigations less effective in correcting hazardous conditions and preventing future injuries.

To verify whether departments determined a root cause and identified a corrective action in their incident investigation, we reviewed a random sample of supervisor incident investigation reports from the San Diego Police Department (Police), San Diego Fire-Rescue Department (Fire-Rescue), Fleet Operations, San Diego Public Library (Library), Environmental Services Department (ESD), and Development Services Department (DSD). We found three departments—ESD, Fleet Operations, and Fire-Rescue—did not use the Citywide form and used their own department forms instead. The other three departments—DSD, Library, and Police—used the Citywide form in some instances and their own department forms in other instances. In addition, Fire-Rescue specifically stated that, if it were to use the Citywide form, it would not be able to capture the data necessary for conducting injury analysis by body part, classification, location, or the nature/source of injury. This suggests that the existing Citywide form may not meet all departments' tracking needs. Further, even though Fire-Rescue's form captures the nature of the injury (e.g., respiratory distress, exposure, puncture) and the source of injury (e.g., fire debris, electrical, vehicle), it does not require that root cause analysis be conducted. In total, we found 61 percent of the injury/illness investigation reports provided by departments did not identify the root cause of the injury, and 60

percent of them did not contain recommendations for corrective actions. **Appendix E** shows components of OSHA's recommended incident investigation report as well as components of the Citywide Supervisor's Injury/Illness Investigation Report and departments' own reports. As reflected in the Appendix, none of departments' own forms we reviewed contain both root cause analysis and corrective action.

For instance, one supervisor investigation report we reviewed concluded that "foot stepped off ladder rung" was the cause of the injury. Based on the claim handler's records, the employee lost their footing when stepping down the ladder and sustained an upper shoulder injury when grabbing the handrail. In this case, the supervisor identified human error as the direct cause of the injury. The investigation stopped short of identifying the root cause, which can be traced back to program failures or deficiencies, and the supervisor did not document any corrective measures addressing the root cause. As a result, there is a risk that similar injuries—which could be prevented by identifying and correcting the root cause—may reoccur in the future. Instead, the supervisor can explore systemic reasons that may have caused this injury by asking "Is the employee sufficiently trained on ladder safety?", "Does the ladder meet safety requirements?", "Is the safety inspection process adequate enough to ensure all ladders meet safety standards?", "If the ladder slipped, why did it slip in the first place?", etc.

Determining root cause is the result of persistently asking "Why?". According to the Washington State Department of Labor & Industries, it generally takes five "Why's?" to get to the root cause of the incident. Often the answer to one "Why?" uncovers another reason and generates another "Why?". We applied the five-Why? technique to the ladder incident discussed above as an example of how a root cause may be discovered in **Exhibit 18**. We note that this illustration is based on an actual incident that took place, but it may not represent the actual root cause(s) of this incident, since root cause(s) were not documented on the incident investigation report and the incident report did not provide sufficient details to determine the actual root cause(s). The example is for illustration purposes only.

Exhibit 18

A Hypothetical Example of Applying the Five-Why? Technique to Help Determine the Root Cause
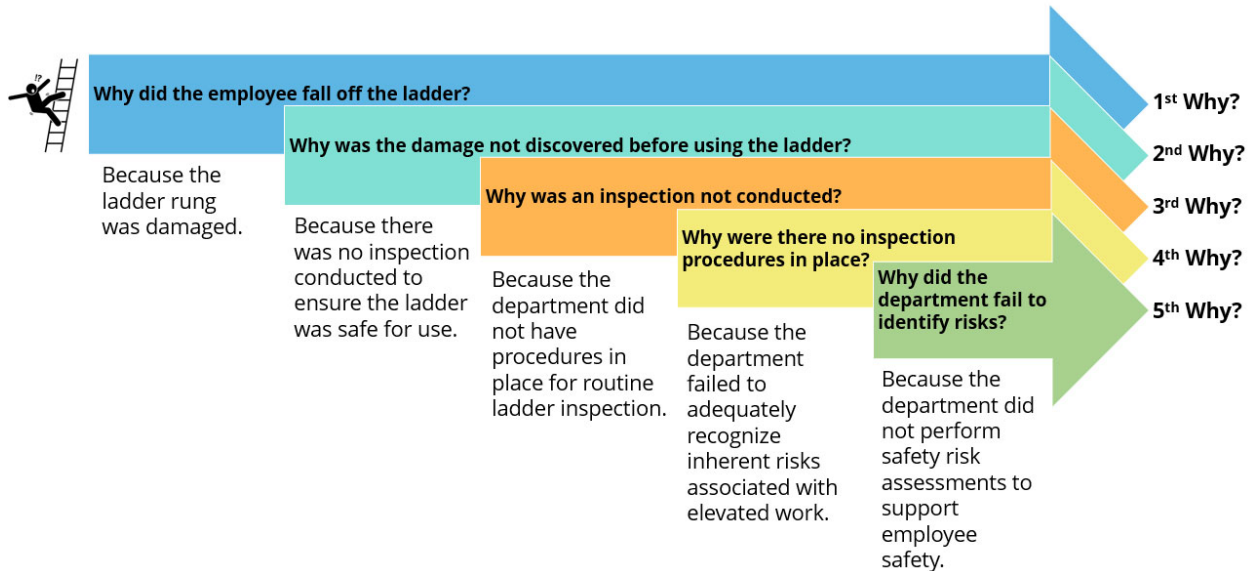
Source: Auditor generated based on a hypothetical example of using the five-Why? technique.

Depending on the case, the questioning may continue. For instance, a 6th "Why?" may have revealed that safety was not considered a high priority. Had the root cause been identified, the department could have created a safety risk assessment program, enacted inspection procedures, repaired the ladder, and prevented the injury.

Note that root causes may involve more than one deficiency in areas such as workplace design, organizational culture, equipment maintenance, operating systems and procedures, staffing, training, supervision, etc. For instance, the 1st "Why?" above may reveal that the ladder was damaged and the employee was not wearing all required personal protective equipment. The latter would likely lead to another root cause. By identifying the root cause, the supervisor could have moved away from concluding the employee should have taken more care, which would only treat the symptom of the problem. When root causes are identified, more effective corrective actions— and often multiple corrective actions—can be taken to continuously improve workplace safety.

Although supervisors are tasked with documenting incident investigation results, some investigation forms we reviewed appeared to be completed by the injured employee themselves.

We found that investigation forms are sometimes completed by the injured employees themselves rather than by their supervisors. According to the Citywide IIPP, investigating workplace accidents and illnesses is the responsibility of a supervisor or designated personnel. While injured employees are critical stakeholders in the investigation and can provide hands-on details regarding the incidents, they are not supposed to conduct the incident investigation themselves. The majority of ESD's investigation reports we reviewed (17 out of 25) appeared to be filled out by the injured employees themselves. In a few cases, it appears a supervisor signed off on "who completed the form" section while injured employees completed all remaining sections of the form. For Fire-Rescue, 3 out of 38 reports we reviewed appear to be filled out by injured employees themselves. For the remaining departments, we were unable to identify any investigation forms completed by the injured employees rather than their supervisor based on information available on the forms.

Some departments could not demonstrate that workplace injuries are consistently investigated.

The City requires all injuries necessitating medical treatment be investigated and documented on an investigation form. The City also requires departments retain incident investigation reports in the department's personnel file for an injured employee for a minimum of 5 years from the date of the incident. We requested incident investigation reports for a stratified random sample of 180 workers' compensation claims between FY2019 and FY2021 from the six departments under review. The number of incident investigation reports we requested from each department varied based on department size. We received 137 investigation reports, or 76 percent of total requested incident investigation reports, from these departments.[19] Additionally, 13 Minor Injury Reports were provided in lieu of incident investigation reports for a total of 150 reports. **Exhibit 19** summarizes the number of incident investigation reports we requested and received from each department under review.

It should be noted that the Minor Injury Report is only supposed to be used to record any minor work-related injury/illness that

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[19] The incident investigation report was counted if both the incident investigation report and the Minor Injury Report were provided for a claim.

does not require medical treatment (e.g., cuts, bruises, strains, bumps). All underlying injuries in our claims sample required some medical treatment and should therefore have been investigated, and the investigation should have been properly documented. Among departments under review, Police, Library, and ESD provided at least either an incident investigation report or a Minor Injury Report for all claims in the sample; whereas Fleet Operations, Fire-Rescue, and DSD were unable to provide incident investigation reports for a total of 30 claims in the sample. As a result, we were unable to verify that supervisors indeed conducted investigations for these 30 claims. Moreover, departments' inability to provide incident investigation records indicates insufficiency in departmental controls over injury record keeping.

Exhibit 19

Number of Investigation Reports Requested and Received from Departments
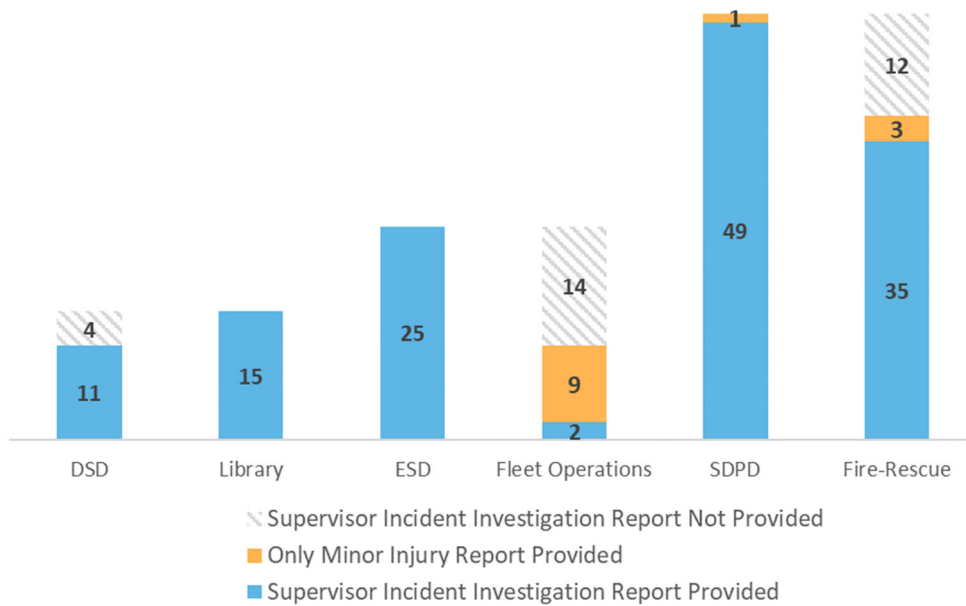
Note: DSD, Fleet Operations, and Fire-Rescue provided some documentations other than investigation reports/Minor Injury Reports for 16 claims. These claims are included in the "Supervisor Incident Investigation Report Not Provided" category above.

Source: Auditor generated based on review of department injury records.

Supervisors expressed they are not sufficiently trained to effectively conduct supervisor injury/illness investigations.

OSH and Risk Management provide supervisors with tools and resources for responding to injuries at work and related to workers' compensation benefits. However, supervisors have indicated that they did not receive sufficient trainings on either the importance of—or effective ways to conduct—incident investigations. For example, based on our survey of City employees, 81 percent of supervisor respondents agreed that their department expects them to thoroughly investigate all accidents, injuries, and near misses; however, only 51 percent of supervisor respondents agreed that they had the necessary training, 60 percent agreed that they had the necessary time, and 52 percent agreed that they knew how to thoroughly investigate.[20] As a result, even if supervisors are provided with the Citywide Supervisor Injury/Illness Investigation Report form, which contains sections on identifying primary injury cause and recommended corrective actions, supervisors may fail to fulfill these investigation requirements. Based on our review of the random sample of incident investigation reports, while 71 out of 137 reports we obtained included a section on identifying an injury cause, 25 percent of these 71 investigations failed to identify an injury cause. Out of 108 reports containing sections on corrective actions, only 51 percent actually included documented corrective actions. Survey responses, along with our sample review, suggest that trainings provided to supervisors on injury investigation may be inadequate.

OSH assists City departments in meeting State mandated injury and illness reporting requirements, but it does not analyze injury and illness data

We found that OSH does not systematically collect and analyze safety incident data to measure existing safety program effectiveness. Under the California Code of Regulations, each City site is required to keep a log and a summary of recordable work-related injuries and illnesses.[21] All City sites with 250 or more employees are also required to report injury and illness summary data to the federal Occupational Safety and Health Administration (OSHA). The reporting is handled centrally by OSH. According to OSH, once a year, Payroll Specialists at City departments complete an annual summary of work-related

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[20] There were between 167 and 168 supervisor respondents for these questions.

[21] Recordable injuries and illnesses are those that result in death, loss of consciousness, days away from work, restricted work activity or job transfer, or medical treatment beyond first aid. Recordable cases are not necessarily eligible for workers' compensation benefits.

submitted by departments.

injuries and illnesses for each City site. The summary includes the number of injuries and illnesses by incident classification and by type, the number of days away from work, and the number of days of job transfer or restriction. The summary is reviewed by the department head and sent to OSH. OSH then files reports for sites with more than 250 employees with OSHA to meet the State reporting requirements. OSH scans and saves summary reports electronically when the reports come in. However, OSH does not review or perform any analysis with them.

This represents a missed opportunity for using incident data to evaluate existing safety programs. Specifically, the City could compile injury and illness data collected by each work site, summarize them by department, and compute the Incident Rate and the Days Away, Restricted, or Transferred (DART) Rate for each department and the City as a whole. The Incident Rate and DART Rate can help employers evaluate injury and illness experience over time and assess the relative level of injuries and illnesses among the industry or operations. These rates can also help identify workplace safety problems and evaluate progress in preventing work-related injuries and illnesses. The Bureau of Labor Statistics (BLS) publishes Incident Rate data by various classifications (e.g., by industry, by employer size, etc.), allowing for comparisons with employers of similar size or occupations of similar type. For example, as discussed in Finding 1, the University of California analyzed its Incident Rates and DART Rates and prioritized its efforts to reduce injuries by targeting injuries that have a high frequency or a high severity. According to University of California, this practice has contributed to the year-over-year decline of its Incident Rate and the reduction in workers' compensation costs.

OSH and Risk Management recognize the importance of analyzing incident data to improve safety management. They computed Incident Rates and DART Rates based on workers' compensation claims data and published these rates for some departments in Workers' Compensation and Safety Performance Reports prior to FY2019 reports but have since then stopped publishing these rates. According to OSH, they stopped publishing these rates because OSH did not have up-to-date injury data, making the rates published in the Workers'

Compensation and Safety Performance Reports inaccurate. According to OSH, department safety staff are expected to calculate these rates and have been doing so since FY2019. This would require a formalized and coordinated effort to ensure departments record and analyze injury and illness data accurately and in a timely manner and that OSH effectively monitors and uses the data to improve the City's safety programs.

OSH lacks data and resources to provide centralized support to departments on safety matters.

Sound data analytics is the cornerstone of an effective safety program. However, we found OSH lacks sufficient data analysis resources to uncover safety issues and effective preventative strategies. OSH does not have its own injury and illness database and does not have real-time incident data from operating departments either, as OSHA recordable injury and illness data is only submitted to OSH on an annual basis. Each year, City work sites submit hundreds of scanned copies of Cal/OSHA Form 300A, Summary of Work-Related Injuries and Illnesses, to OSH, making it operationally challenging for OSH to convert the information into a usable data format. To address the deficiency in its data analytics capability, OSH is currently working on the selection and implementation of a health and safety software program. OSH intends for this program to be a Citywide system that provides useful data to departments to track incidents, injuries, investigations, etc.

The City's Workers' Compensation and Safety Performance Report does not provide analysis on injury causes or injury trends and leaves out small departments.

The City's Workers' Compensation and Safety Performance Report provides year-to-date data on workers' compensation claims and associated direct costs for large operational departments. However, it does not offer any analysis on injury causes, injury trends, or injury locations.[22] In addition, small departments were excluded from the report. The Workers' Compensation and Safety Performance Report, which is supposed to be published on a quarterly basis,[23] is the City's most extensive workers' compensation claims and safety

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[22] Injury location analysis may not be applicable to cumulative injuries caused by repeated events or repeated exposure extending over a period of time.

[23] We found that the Workers' Compensation and Safety Performance Report is not consistently published on a quarterly basis as stated in the report. Three reports were published each year from FY2016 to FY2018, two reports were published each year from FY2019 to FY2020. FY2021 reports have not been released as of April 2022.

performance analysis. The report contains summary graphs on total year-to-date workers' compensation costs as well as the number and cost of workers' compensation claims by body part. It also compares the number and percentage of claims by body part to the previous fiscal year. While this is all critical information for City departments, the causes of injuries—a key factor to help prevent future injury—is missing from the report. This may be partially because supervisor incident investigations do not consistently identify root causes of the injuries, as discusses above. Nevertheless, the workers' compensation claims management system, iVOS, does collect data on the general cause of the injury (e.g., slip and fall, motor vehicle) in accordance with State requirements. In addition, according to the Workers' Compensation Division, staff meet with departments to review specific claims. Providing data on injury cause would help departments better assess existing safety programs and better target corrective action efforts. This would also allow for the identification of common types of injuries across the City and enable joint department efforts to address safety issues more efficiently.

Additionally, the report can add more value by providing trend analysis on number and cost of workers' compensation claims and work days lost due to workers' compensation claims. Risk Management has already started performing trend analysis and has sent the analysis to departments experiencing increases in workers' compensation claims or industrial leave hours. Departments are required to establish corrective action plans in response to Risk Management's notices. Other departments can benefit from the trend analysis as well to evaluate the effectiveness of any safety measures they may have put in place and create preventative measures before an upward trend takes shape.

Lastly, we found the report only covers eight or nine City departments based on department size and the number of workers' compensation claims and does not contain any information on remaining City departments. We estimated that the report left out 174 claims, or 11 percent of new claims in FY2018; 138 claims, or 9 percent of new claims in FY2019; and 191 claims, or 12 percent of new claims in FY2020. As a result, smaller departments may not be made aware of incident trends

in a timely manner due to a lack of access to workers' compensation claims data. This can result in missed opportunities for smaller departments to address safety issues that may cause future injuries. Since the Workers' Compensation and Safety Performance Report is the only extensive report the City publishes on workers' compensation claims, leaving out smaller departments makes the report incomplete because it does not provide a full picture of the City's workers' compensation claims status.

The City does not use safety leading indicators to prevent incidents.

Incident Rate, DART Rate, and analysis on injury causes, trends, and time loss, as discussed above, are generally referred to as lagging indicators. Lagging indicators measure incidents that have already occurred. They can alert employers to a failure in an area of the safety and health program or to the existence of a hazard. While lagging indicators focus on incidents that have already happened, leading indicators reflect the potential for injuries and illnesses that have not yet occurred. Leading indicators measure events leading up to incidents and reveal potential problems in the safety and health program. Leading indicators allow an employer to take preventative action to address failures in the safety and health program or hazards before they cause an incident. Common examples of lagging and leading indicators are presented in **Exhibit 20**.

Exhibit 20

The City Should Use Various Indicators to Continuously Improve Safety Programs

INCIDENT

LEADING INDICATORS
Measure events leading up to incidents and reveal potential problems in the safety and health program

LAGGING INDICATORS
Measure an organization's safety and health program performance by tracking accident statistics

Examples:

Systems-based:
- Number of safe and unsafe observations
- Number of tailgate/pre-shift safety talks completed
- Number and frequency of safety audits performed

Operations-based:
- Number of assessments to determine the type of training needed
- Percentage of maintenance time spent on planned versus unplanned maintenance

Behavior based:
- Number of employee safety suggestions implemented by leadership
- Employee participation rate in safety program

Examples:
- OSHA recordable injuries
- OSHA citations
- DART rate
- Injury frequency and severity
- Number of workers' compensation claims
- Workers' compensation costs

Source: Auditor generated based on best practices from *Recommended Practices for Safety and Health Programs, Leading Indicators for Workplace Health and Safety: A User Guide*, and the Campbell Institute's *Practical Guide to Leading Indicators: Metrics, Case Studies & Strategies*.

We found that the City does not use leading indicators to identify and correct safety program deficiencies and to make continuous improvements to safety programs. None of the metrics included in the Workers' Compensation and Safety Performance Report measure events leading up to an incident, and OSH and Risk Management do not track any leading indicators internally. One category of leading indicators commonly used by employers pertains to learning systems such as the number and percentage of completed training goals and the number of training hours. However, as discussed in Finding 1 and detailed in **Appendix E**, some City departments do not keep records of safety trainings, and OSH does not centrally track departments' safety trainings. Without collecting data in the first place, using leading indicators to drive change is not feasible. Similarly, another leading indicator might be the number of near-misses reported. Even though the Citywide IIPP requires near-miss incidents to be

investigated, it does not have specific requirements about how these should be documented. As a result, departments do not consistently track near-misses. For example, we requested documentation on near-miss incidents from Police, Fire-Rescue, Library, DSD, ESD and Fleet Operations, but only Fire-Rescue provided evidence of a near-miss incident investigation. In order to use leading indicators to drive positive changes in safety practices, the City must start with collecting relevant data based on appropriate leading indicators.

An effective safety program uses both leading indicators to drive changes and lagging indicators to measure effectiveness.

The City can benefit from using both leading and lagging indicators to direct safety programs and reduce workplace incidents. Leading indicators represent positive opportunities for improving safety and health program performance. The use of leading indicators should be driven by the specific safety outcome the employer is trying to achieve, and the employer should strategically consider processes that affect the desired results. This means that there is no "one size fits all" way to use leading indicators. By taking deliberate and measured actions that can prevent injuries from happening, the City can demonstrate its commitment to maintaining a safe workplace that values City employees. According to OSHA, employers who use leading indicators to identify and address hazards can realize direct savings, including from workers' compensation costs and other legal and regulatory costs associated with incidents. Lagging indicators can help the City identify trends in past performance and progress in preventing workplace injuries. When used in combination, leading and lagging indicators can foster sustained improvement in overall workplace safety efforts.

Other organizations use safety leading and lagging indicators tailored to their operational requirements to produce positive outcomes in workplace safety. For instance, the Campbell Institute's *Practical Guide to Leading Indicators: Metrics, Case Studies & Strategies* highlights NASA's success with using safety indicators. NASA developed a series of categories and coding for recording underlying causes, behaviors of incidents, and specific events that precipitated the incident after realizing the constraints of its incident reporting database in producing incidents and overall safety metrics. This detailed incident

information was then benchmarked against federal OSHA's injury and illness classification system to drive changes in NASA's operating processes.

Overall, we found the City does not effectively conduct incident investigations to identify root causes and implement corrective actions addressing root causes. Additionally, the City does not leverage data analytics to prevent injuries and continuously improve safety program effectiveness. Therefore, we recommend:

Recommendation 5

To ensure the City takes a data-driven approach to proactively identifying safety issues and preventing injuries from happening, Occupational Safety and Health program (OSH) should work with City departments to set department safety goals and establish department safety performance indicators that include:

- Leading safety indicators, such as the percentage of employees attending safety refresher trainings, average time to address safety issues, and percentage of monthly/weekly safety inspections completed; and

- Lagging safety indicators, such as Incident Rate, Days Away, Restricted, or Transferred (DART) Rate, and injury frequency and severity.

The selection of department safety indicators should involve employees at all levels within the department/division. Safety performance results should be shared with all levels of the department/division.

OSH should periodically review departments' performance in achieving their safety goals, report this information in the annual Citywide safety report identified in Recommendation 1, and work with departments to update their IIPPs on a regular basis based on departments' safety performance. (Priority 1)

Recommendation 6

To ensure City departments are kept informed on workers' compensation claim trends, the Risk Management Department should report on all City departments with workers' compensation claimants in its Worker' Compensation and Safety performance report. The report should include workers'

compensation claim trends analysis, incident cause analysis, and, where possible, incident location analysis. (Priority 2)

Recommendation 7   To ensure management and the Occupational Safety and Health program (OSH) have timely access to injury and illness information to evaluate and drive positive changes to the City's safety programs, OSH should implement a safety data collection process outlining the roles and responsibilities of OSH and operational departments. OSH should:

- Implement a data solution, such as a safety software system, that will enable the capture of recordable injuries and Supervisor's Injury/Illness Investigation Reports at the department level.

- Provide guidance and training to department safety personnel on how to analyze their department's data and how to report to department management as well as to OSH the number and type of incidents, common incident causes, corrective actions taken, trends in Incident Rates and Days Away, Restricted, or Transferred (DART) Rate, etc. OSH should perform such analysis for departments without safety personnel.

- Analyze records submitted by departments to identify and monitor Citywide trends and benchmark against comparable organizations or occupations to identify areas for improvement.

- Report the results of their analysis and coordinate with department directors to report department-specific analysis to the Safety and Risk Oversight Committee at least annually. (Priority 1)

Recommendation 8   To ensure departments can effectively conduct incident investigations and take corrective action measures timely, the Compliance Department's Occupational Safety and Health program (OSH) should develop, document, and implement a Citywide incident investigation program. The program should provide for OSH and any designated department safety staff to train department supervisors and other relevant personnel on incident investigation procedures, specify when and how often

trainings will be provided, focus on identifying root cause(s) of the injury, emphasize correcting root cause(s), and provide for an annual program review to identify areas of improvement to the program. Trainings should guide personnel who conduct investigations to effectively conduct, document, and perform injury root cause analysis as well as identify and implement corrective action measures. To ensure program effectiveness, OSH should coordinate with department safety staff to provide department supervisors with relevant accident examples, realistic corrective actions, and guidance on using a systems approach for incident investigation, including root cause analysis. (Priority 1)

Recommendation 9

To ensure supervisor incident investigations are properly documented, the Compliance Department's Occupational Safety and Health program (OSH) should:

- Update the Citywide Supervisor Injury/Illness Investigation form to include a description of the incident from eyewitnesses and employees with knowledge of the incident, identification of root cause(s), and corrective action(s) taken.

- Require all departments use the standard Citywide Supervisor Injury/Illness Investigation form. However, in cases where departments need to customize the form, OSH should work with departments as needed to tailor their form to meet department-specific needs while also meeting the minimum requirements of the Citywide form. (Priority 2)

Finding 3: Workers' Compensation has a process in place for reviewing potential fraud, but it can improve controls over this process by centrally tracking all fraud red flags or tips and investigations.

Workers' compensation fraud is considered a major risk across the country, and potential losses from cases in California include hundreds of millions of dollars per year. The Risk Management Department's Workers' Compensation Division (Workers' Compensation) administers the City's workers' compensation program. The City's Workers' Compensation Claims Adjusters are trained to identify red flags for potential fraud in workers' compensation claims during the claims review process, including through ongoing communication with City departments about the claim, the employee returning to work, or any other issues the department may have. Additionally, fraud tips can come to Workers' Compensation through either the Citywide 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 tips or red flags. Since Workers' Compensation does not centrally track all fraud tips and investigations, it 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.

Workers' Compensation documents investigations in its claims management system, but it does not monitor those investigations centrally.

Workers' Compensation has a fraud red flags and allegations review process to prevent and detect potential fraud. Workers' Compensation provides Claims Adjusters with documented guidelines for identifying red flags for fraud, supervisors conduct regular meetings with Claims Adjusters to discuss potential fraud, and Claims Adjusters are trained to follow-up on the red flags. According to Workers' Compensation, all Claims Adjusters are certified and designated pursuant to the California Insurance Code and the California Code of Regulations.

Workers' Compensation has documented guidelines for red flag indicators. Red flags are warning signs that may indicate the need for a more in-depth investigation of the claim circumstances. They may also be warning signs of fraud. According to the guidelines, adjusters are to discuss concerns with a senior claims adjuster or Program Coordinator to develop an appropriate plan of action.

We met with three Claims Adjusters and one Program Coordinator to discuss the claims management process, including actions taken with red flags. All Claims Adjusters reported that red flags are a rare occurrence. According to the Claims Adjusters and Program Coordinator, Claims Adjusters discuss potential red flags with their Program Coordinators either directly or during regular roundtables. **Exhibit 21** shows Workers' Compensation's process for reviewing fraud tips and red flags.

Exhibit 21

Workers' Compensation Investigates and Documents Fraud Tips and Red Flags

Red Flag or Allegation
- Claims Adjuster observes a red flag.
- Department contacts Claims Adjuster with a red flag or tip.
- Workers' Compensation receives a tip directly by telephone or via Citywide Fraud Hotline.

Investigation
- Claims Adjuster discusses with Supervisor and develops a plan to review the tip or red flag.
- Claims Adjuster reviews documentation, contacts department and/or medical provider, and reviews witness statements (if any).
- Workers' Compensation hires private investigator for depositions, social media investigations, background checks, and/or observations, if necessary.
- For Citywide Fraud Hotline referrals, Program Manager conducts investigation or assigns to Claims Adjuster as appropriate.

Documentation
- Claims Adjuster documents investigation in claims management system.
- For Citywide Fraud Hotline referrals, Program Manager documents investigation in claims management system and on shared drive with limited access. Program Manager tracks complaints and investigations on spreadsheet in shared drive.

Disposition
- Workers' Compensation determines if a red flag or tip is substantiated.
- If substantiated, Workers' Compensation refers claim to City Attorney's Office for potential prosecution.
- For Citywide Fraud Hotline referrals, Risk Management provides a resolution document to the City Auditor with details of disposition.

Source: Auditor generated based on interviews and documentation provided by Workers' Compensation.

Workers' Compensation investigates red flags or tips that originate through two primary means: those identified by Claims Adjusters and those submitted through the City's Fraud, Waste, and Abuse Hotline (Fraud Hotline). According to Workers' Compensation, the division keeps documentation on Fraud Hotline allegations, investigations, and resolutions in a shared folder with access limited to the Program Manager and Program Coordinators. For Fraud Hotline allegations, Workers'

Compensation uses a spreadsheet to track allegations from the initial complaint, the results of any investigation that took place, and the resolution. However, Workers' Compensation does not monitor fraud red flags and tips identified internally by Claims Adjusters in the same centralized manner. Instead, fraud allegations and red flags are documented in individual claim diaries. According to Workers' Compensation, these claim diaries are not shared with departments to maintain confidentiality; however, if trends are identified, Workers' Compensation will work with departments to address the concerns or cause. A spreadsheet similar to that used for Fraud Hotline referrals could be used to centrally track all fraud tips and red flags.

Fraud Hotline Investigations we reviewed were adequately documented, but, without central tracking, we were unable to verify that all fraud tips and red flags were investigated.

Workers' Compensation was unable to provide a list of all claims with fraud tips or investigations because it does not track the investigations in a centralized way. According to Workers' Compensation, the investigations are documented in iVos in the same manner as the Fraud Hotline referrals we reviewed, but they are not tracked centrally and would need to be retrieved on a claim-by-claim basis. However, we were unable to verify that they were documented in the same manner due to the lack of centralized tracking.

We reviewed investigations of allegations referred through the Fraud Hotline—as these were the only cases tracked in a central location—and determined that the investigations were conducted and adequately documented in case files. Workers' Compensation was able to provide details on all 13 investigations referred from the Fraud Hotline from FY2019 through FY2021. Of 13 hotline referrals, 1 was substantiated and referred for prosecution. However, a review of payments to Private Investigators indicated that there were 124 claims for which Workers' Compensation hired a Private Investigator during that time.[24] Therefore, although the Fraud Hotline investigations we reviewed were adequately documented, we were unable to determine if the red flags and tips across all other claims were investigated and documented.

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[24] Not all fraud red flag and tip investigations involve a Private Investigator, so the number of fraud investigations conducted by Workers' Compensation is likely higher.

Workers' Compensation should monitor all red flags and tips centrally to help ensure they are investigated.

Monitoring internal controls over fraud is necessary to help ensure that all tips and red flags are investigated. Currently, Workers' Compensation documents fraud investigations in individual claim diaries. However, this approach would require Workers' Compensation to review each claim diary individually to understand whether claims involve any suspected fraud and whether and to what extent any red flags or tips have been investigated and resolved.[25] In contrast, monitoring all red flags and tips centrally would provide Workers' Compensation greater assurance that all red flags and tips are fully investigated and properly resolved. Furthermore, tracking all red flags and tips centrally would enable management to identify trends and performance, which can be used to programmatically improve fraud prevention practices. For example, analyzing red flags and tips could reveal work groups or work locations with more potential fraud for referral to departments to investigate potential causes.

Workers' Compensation does not have enough information to evaluate the performance of its controls over fraud.

Without tracking all red flags and tips centrally, Workers' Compensation does not have enough information to establish a baseline to evaluate the effectiveness of its existing controls. The Government Accountability Office's *Standards for Internal Control* recommends that management establish a baseline for—and perform monitoring activities over—a program's internal control system. Additionally, management should regularly evaluate the results against the established baseline. For example, Workers' Compensation could consider establishing a baseline for fraud investigations in terms of tips and red flags investigated or time to complete investigations. Workers' Compensation could then determine if its controls are meeting that baseline. In addition, Workers' Compensation can implement measures to improve fraud risk mitigation and maximize efficiency. For example, if tips reveal additional potential red flags, Workers' Compensation could update its procedures to include the new information. Likewise, if the analysis reveals that certain red flags require significant staff time or Private Investigator expenses to

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[25] In addition, according to Workers' Compensation, the division uses iVos reporting to track referrals and payments to investigative partners. However, analyzing these referrals and payments would still not provide information on fraud tips or red flags that were not referred to a Private Investigator and therefore could not be used to verify that all red flags or tips were addressed.

investigate but do not lead to substantiated fraud, Workers' Compensation could consider reducing the resources dedicated to investigating such red flags.

Workers' compensation industry groups estimate 10 to 35 percent of workers' compensation claims are fraudulent or inflated.

Workers' compensation fraud is considered a major risk across the country, and potential losses from cases in California include hundreds of millions of dollars per year. Insurance industry groups—including the Coalition Against Insurance Fraud, National Insurance Crime Bureau, and Insurance Research Council—all estimate that workers' compensation programs have significant fraud. The National Insurance Crime Bureau estimates that 10 percent of all claims are fraudulent or inflated, and the Insurance Research Council estimates that 35 percent of all workers' compensation claims are fraudulent. In California, fraud is also a concern for workers' compensation programs. For example, the California Department of Insurance's Fraud Division identified and reported 4,106 suspected workers' compensation fraud cases in FY2017–FY2018, with potential losses amounting to $273,249,723.

In contrast to these estimates of the pervasiveness of potential fraud in workers' compensation programs, Workers' Compensation only centrally tracked a small number of investigations. In FY2019–FY2021, Workers' Compensation provided 13 investigations of 5,103 claims during that time, or 0.3 percent. Although Workers' Compensation reported that it investigates other red flags and tips, it was unable to provide information on how many or the outcome of those investigations, because it does not track that information centrally.[26]

Workers' Compensation used Private Investigators in 10 times more claims than were referred by the Fraud Hotline.

Workers' Compensation does not have the ability to analyze trends or performance for most fraud investigations it conducts. Workers' Compensation reported that most red flags are identified by Claims Adjusters based on experience and ongoing training, others come from the Fraud Hotline, and several departments stated that they report suspected fraud directly to Workers' Compensation. However, because Workers'

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[26] According to Workers' Compensation, the results of all investigations conducted by Private Investigators are noted in the iVos claims management system, which can be tracked internally through reporting.

Compensation it is not centrally monitoring all fraud tips and red flags, it is missing potential information on the true number and sources of fraud tips and red flags.

We reviewed payments to Private Investigators to compare the number of referrals from the Fraud Hotline to the number of investigations conducted by Workers' Compensation on its own. The Fraud Hotline referred 13 allegations of workers' compensation fraud in FY2019–FY2021, but Workers' Compensation referred 124 claims to outside investigators in this time period. Additionally, not all allegations of fraud require hiring an outside investigator, so the actual number of claims investigated by Workers' Compensation is likely higher. Therefore, without centralized monitoring and analysis of all fraud tips and red flags, Workers' Compensation is missing potential information on the pervasiveness of fraud and potential trends throughout the City.

Workers' Compensation's does not have documented procedures for investigating fraud red flags and tips.

Although Workers' Compensation has documented guidelines on identifying red flags, it does not have documented procedures on how to investigate, monitor, and analyze red flags and tips. Claims Adjusters receive training as part of their certification process, and they have the opportunity to take additional fraud trainings as part of their continuing education. Additionally, Claims Adjusters and a Program Coordinator informed us that they discuss red flags and potential fraud at regular meetings. However, this process is not documented beyond a list of potential red flags, and the process does not include centrally monitoring fraud tips and red flags or the results of their investigations.

In order to address the issues outlined in the finding, we recommend:

Recommendation 10

In order to strengthen the control environment and provide supervisors and managers in the Risk Management Department with the ability to verify that all red flags and tips are thoroughly investigated, the Risk Management Department's Workers' Compensation Division (Workers' Compensation) should update its procedures for investigating red flags and fraud tips to include monitoring of all fraud red flags and tips in a central document. Workers' Compensation should analyze all fraud red

flags and tips and make appropriate updates to its procedures if it identifies any trends. Workers' Compensation should document its analysis and report the results of its assessment to the Safety and Risk Oversight Committee on an annual basis. (Priority 2)

Appendix A: Definition of Audit Recommendation Priorities

DEFINITIONS OF PRIORITY 1, 2, AND 3

AUDIT RECOMMENDATIONS

The Office of the City Auditor maintains a priority classification scheme for audit recommendations based on the importance of each recommendation to the City, as described in the table below. While the City Auditor is responsible for providing a priority classification for recommendations, it is the City Administration's responsibility to establish a target date to implement each recommendation taking into consideration its priority. The City Auditor requests that target dates be included in the Administration's official response to the audit findings and recommendations.

Priority Class[27]	Description
1	Fraud or serious violations are being committed.
	Significant fiscal and/or equivalent non-fiscal losses are occurring.
	Costly and/or detrimental operational inefficiencies are taking place.
	A significant internal control weakness has been identified.
2	The potential for incurring significant fiscal and/or equivalent non-fiscal losses exists.
	The potential for costly and/or detrimental operational inefficiencies exists.
	The potential for strengthening or improving internal controls exists.
3	Operation or administrative process will be improved.

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[27] The City Auditor is responsible for assigning audit recommendation priority class numbers. A recommendation which clearly fits the description for more than one priority class shall be assigned the higher priority.

Appendix B: Objectives, Scope, and Methodology

Objectives   In accordance with the Office of the City Auditor's Fiscal Year (FY)2022 Audit Work Plan, we conducted a performance audit of workers' compensation and industrial leave. Our objectives were to:

1. Determine whether the City effectively mitigates workplace safety hazards and prevents injuries and illnesses; and

2. Determine whether the City has adequate internal controls to mitigate the risk of fraud, waste, and abuse in workers' compensation claims.

Scope   We initially began reviewing the accuracy of workers' compensation payments and found that the Risk Management Department's Workers' Compensation Division has a robust process for administering the City's workers' compensation program. As a result, we decided to focus our review on other aspects of the City's workers' compensation program, specifically the areas articulated in our audit objectives. Our review of how the City prevents workers' compensation claims from arising in the first place included six operating departments—Police, Fire-Rescue, Fleet Operations, Environmental Services, Library, Development Services—and included the period of FY2017–FY2021. We selected these six operating departments judgmentally based primarily on the average number of workers' compensation claims per FTE from FY2019 through FY2021 and reviewed these departments to determine if their safety programs include core elements of the Citywide Injury and Illness Prevention Program (IIPP). Our review of how the workers' compensation program addresses the risk of fraud, waste, and abuse in claims covered the period of FY2019–FY2021.

Objective	Methodology
Determine whether the City effectively mitigates workplace safety hazards and prevents injuries and illnesses.	- Reviewed Citywide documents relating to workplace safety, including the Citywide Injury and Illness Prevention Program and the Risk Management Department's Annual Reports; and - Reviewed policies and procedures for reporting and investigating hazards, injuries, accidents, and near-misses; remediating workplace hazards; and identifying, preventing, and addressing common injuries across departments. - Analyzed Citywide workers' compensation claims data and benchmarked the City's workers' compensation claims and costs against other cities in California. - Interviewed staff and management from operating departments to better understand their processes for addressing safety risks, implementing safety procedures, and coordinating workers' compensation claims with the Risk Management Department's Workers' Compensation Division; department goals related to injury prevention; and procedures for conducting safety investigations. We also reviewed a sample of incident and near-miss investigation reports; Supervisor Injury/Illness Investigation Reports; safety inspection records; and safety trainings from the six operating departments under review. In addition, we reviewed a sample of departmental corrective action plans from FY2018–FY2019 to determine whether they were implemented and whether an accountability and oversight framework exists. - Conducted a survey of City employees to gauge their perception of the City's safety culture; awareness of safety programs; injury and near-misses reporting requirements; and workplace inspection and hazard correction procedures.

Determine whether the City has adequate internal controls to mitigate the risk of fraud, waste, and abuse in workers' compensation claims.	• Reviewed the Workers' Compensation Division's policies and procedures for preventing, detecting, and investigating fraudulent workers' compensation claims;
	• Reviewed training requirements for Claims Adjusters as they relate to effectively identifying and addressing allegations of fraud in workers' compensation claims;
	• Reviewed guidance materials from industry best practices;
	• Reviewed reports from Private Investigators and payments made to these investigators from FY2017 to FY2019;
	• Reviewed policies and procedures for monitoring employees on industrial leave; and
	• Reviewed policies and procedures for identifying light duty work opportunities and tracking and monitoring light duty work hours.
	• Interviewed staff and management from the Workers' Compensation Division and from several operating departments included in our scope to understand the extent to which these programs and departments have established policies and procedures related to fraud awareness, prevention, and reporting, and how they coordinate to address fraud red flags and tips when they arise in workers' compensation claims.
	• Tested for any fraudulent claims tied to ghost employees by verifying the employment of claimants during dates of injury. We did this by comparing workers' compensation claims data from the claims management system to employment data in the City's enterprise resource planning system. We did not identify any ghost employees as a result of our testing.
	• Reviewed controls to prevent the abuse of the Deferred Retirement Option Plan (DROP) and workers' compensation programs through the payment of both benefits simultaneously. However, we determined that employees are not prohibited from participating in both programs simultaneously.

- Reviewed a sample of permanent disability calculations recorded in the workers' compensation claims management system to determine if those calculations are made in accordance with State guidelines. We did not find any permanent disability calculations that were made inconsistently with State guidelines.

Internal Controls Statement

Our internal controls testing was limited to specific controls relevant to our audit objectives, including controls for mitigating workplace safety hazards; controls to prevent injuries and illnesses in the workplace; and controls for mitigating the risk of fraud, waste, and abuse in workers' compensation claims.

Compliance Statement

We conducted this performance audit in accordance with generally accepted government auditing standards. 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 believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

Appendix C: Safety Program Details for Departments Reviewed

The San Diego Fire-Rescue Department (Fire-Rescue) has an active safety program with documented procedures. Fire-Rescue has procedures in place that encourage employee participation in identifying workplace hazards, require supervisors to investigate and correct any identified hazards, and conduct both scheduled and unscheduled safety inspections, including when procedures change, new equipment or materials are introduced, and when hazards are identified. Additionally, the procedures require maintaining records of inspection, including findings and corrective actions. Fire-Rescue has policies and procedures for delivering safety trainings at regular schedules, when a new trend or information is available, and when a significant threat to life or property is identified. Additionally, Fire-Rescue has incident review procedures to investigate and report on incidents. Fire-Rescue also has an Occupational Health & Safety Committee which conducts quarterly assessments of injuries, including minor injuries, near misses, and workers' compensation claims. This assessment includes analysis of injuries by body part, classification, location, and nature of the injury.

The Environmental Services Department (ESD) has an active safety program with some documented procedures, but some activities and program improvement depend on the knowledge of the current Safety Officer. ESD's safety program includes procedures for identifying and mitigating safety hazards, reporting and investigating accidents and near misses, implementing corrective action measures, conducting safety inspections, and a safety incentives program. Although ESD described practices for monitoring and improving the safety program, it did not have documented procedures for this element of the program.

Fleet Operations has an active safety program without documented procedures. Fleet Operations tracks workers' compensation injuries and work restrictions using a spreadsheet updated and monitored by the Safety Officer. According to Fleet Operations, the Safety Officer uses the tracking spreadsheet to analyze trends, but the tracking spreadsheet we received from Fleet did not include such analysis. According to Fleet Operations, the spreadsheet keeps information on the current status of injuries and work restrictions, so it would not include past analyses. Fleet Operations provides regular safety notices to employees at monthly tailgates, but the updates covered the same topics on all three provided agendas.

The San Diego Police Department (Police) has a documented safety program, but it was not active as of February 2022. According to Police, its safety program has not been active since August 2020, and there has been turnover in the responsible work unit thereby affecting institutional knowledge. However, the policies and procedures from when it was active include key elements of safety best practices, including a safety committee, safety incentives, unit-specific safety plans and responsibilities, and regular inspections. According to Police, the

department was working on relaunching the safety program in February 2022 and anticipated the safety committee would resume meetings in March 2022.

The San Diego Public Library (Library) does not have an internal safety program, but is supported by Occupational Safety and Health on workplace safety matters. We found it does not meet several aspects of the Citywide Injury and Illness Prevention Program (IIPP). Library does not have a formal assessment analyzing injuries, and the department does not perform any other type of safety analysis. According to Library management, supervising librarians are supposed to conduct site assessments, and if they observe any hazards, they are supposed to communicate with local branch managers; however, this process is informal. Library does not hold routine safety trainings for its employees. According to Library management, new hires are trained by managers when they are onboarded, but refresher or follow-up trainings are not provided.

The Development Services Department (DSD) does not have an active safety program, but it is supported by OSH on workplace safety matters. DSD does not centrally track reports made by employees about concerns with workplace hazards, conduct regular safety inspections, document safety trainings, or analyze injury and illness reports. DSD relies on Occupational Safety and Health, which collects injury and illness reports and follows up if something appears amiss in the reports or if Occupational Safety and Health sees recurring and potential long-term issues. However, neither DSD nor Occupational Safety and Health track reports about workplace hazards, conduct regular safety inspections, or document safety trainings other than those specifically required by the state. For example, Occupational Safety and Health stated that personnel in the Building Construction and Safety Division and Code Enforcement Division received training in compliance with the California Wildfire Smoke Protection Program.

Appendix D: Citywide Supervisor's Injury/Illness Investigation Report

The City of
SAN DIEGO

Attention: This form contains information relating to employee health and must be used in a manner that protects the confidentiality of employees to the extent possible while the information is being used for occupational safety and health purposes. See CCR Title 8 14300.29(b)(6)-(10)

SUPERVISOR'S INJURY/ILLNESS INVESTIGATION REPORT

All injuries requiring medical treatment beyond first aid must be reported to the "Call–In–Center" at 1-800-427-7980.

Section I.   Employee Information

Date of Injury/Illness/Incident				
Employee's Full Name		Date of Birth		
Employee Job Title		Employee PERNR		Date of Hire	
Employee's Home Address				

Section II. Information about the Treatment Facility

Name of Facility		Facility Address	
Name of Physician			
Was employee treated in an emergency room?		Was employee hospitalized overnight as an in-patient?	

Section III. Information about the Incident

Time of Incident		Time Employee Started Shift		Case Number from Cal/OSHA Log (must be recorded on Log within 7 days of incident).	
Incident Location/Address					

What was the employee doing just before the incident occurred?
Describe the activity, as well as the tools, equipment and/or materials the employee was using. Be specific. (Examples: "climbing a ladder while carrying roofing materials"; "daily computer key entry").

What happened?
Tell how the injury occurred. (Example: "When ladder slipped on wet floor the worker fell 20 feet"; "Worker developed soreness in wrist over time").

12/2021 Revision

What was the injury or illness?

Tell us the part of the body that was affected and how it was affected; be more specific than "hurt", "pain", or "sore". (Examples: "strained back", "carpal tunnel syndrome").

What object or substance directly harmed the employee?

(Examples: "concrete floor"; "chlorine"; "radial arm saw"). If this question does not apply to the incident, enter N/A.

If the employee died, when did death occur? Date of death:	

Section IV. Primary Cause of Accident/Injury

Describe what you believe to be the actual cause of the injury. (Example: "Employee was working on wet and slippery surface, which caused the ladder to slip").

At the time of the injury, was employee performing the job as trained and did employee utilized personal protective equipment (PPE) that was required/recommended for the job? **If no, please provide details below.**

Section V. Recommended Corrective Measures and Mitigation

Describe what steps should be taken to prevent this type of accident/injury from reoccurring? (Example: "Recommendation to provide training to all affected employees about ladder placement and that ladders are not to be placed in any areas where there is a likelihood the ladder may slip on slippery surfaces").

Date Corrective Action Implemented	

Report Completed By	
Title	
Contact Phone Number	

Supervisor Name	
Supervisor Signature	

Appendix E: Incident Investigation Forms Include Some, But Not All, Elements of an Effective Incident Investigation Based on OSHA's Recommended Systems Approach

Incident Investigation Form Based on OSHA Systems Approach	Supervisor's Injury/Illness Investigation Report	DSD Supervisor's Accident/Injury Investigation Report	Library Supervisor's Accident/Injury Investigation Report	ESD Injury & Illness Incident Report	Fleet Operations Accident/Injury Assessment	Police Supervisor's Accident and Injury Investigation Report	Fire-Rescue
Date, Time, and Location of the Injury	✔	✔	✔	✔	✔	✔	✔
Description of Incident	✔	✔	✔	✔	✔	✔	✔
Description of Incident from Eyewitnesses	✘	✘	✘	✘	✘	✘	✘
Description of Incident from Additional Employees with Knowledge	✘	✘	✘	✘	✘	✘	✘
Identify the Root Cause	Identify the Primary Cause – primary cause may not necessarily be the root cause	Identify the Primary Cause – primary cause may not necessarily be the root cause	Identify the Primary Cause – primary cause may not necessarily be the root cause	Identify object/substance directly harmed the employee – direct cause is different from root cause	✘	✔	Identify nature and source of injury – should identify deficiencies
Recommended Corrective Actions	✔	✔	✔	✘	✔	✔	✔
Document Corrective Actions Taken/Root Causes Addressed	Corrective Action Implemented (Date only)	Corrective Action Implemented (Date only)	Corrective Action Implemented (Date only)	✘	✘	✘	Describe steps taken to resolve the cause of the injury/illness

Source: Auditor generated based on review of Citywide and department materials as well as OSHA's incident investigation guide, *Incident Investigations: A Guide for Employers*.

THE CITY OF SAN DIEGO

M E M O R A N D U M

DATE: May 6, 2022

TO: Andy Hanau, City Auditor, Office of the City Auditor

FROM: Jay Goldstone, Chief Operating Officer

SUBJECT: Management Response to the Office of the City Auditor's Performance Audit of
                    Workplace Safety and Workers' Compensation

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This memorandum serves as the management response to the Performance Audit of Workplace Safety and Workers' Compensation (Performance Audit.) At the time this response was written, the draft Performance Audit provided to management contains three findings and 10 recommendations directed to the Compliance and Risk Management Departments.

Compliance and Risk Management staff and management appreciate the Performance Audit prepared by the Office of the City Auditor and thank the staff involved in preparing the audit. Management agrees with the recommendations within the Performance Audit and this management response highlights those recommendations that will need additional resources to implement.

For the Compliance Department, the full implementation of Recommendations 1, 5, 7, and 9 are dependent upon the addition of 1.00 Analyst position and 1.00 Safety Officer position to the Department budget. These positions will help address the recommendations requiring more robust department Safety Officer support and management of citywide data and analyses.

The Risk Management Department agrees with the two recommendations that correspond to its operations and looks forward to working with the Office of the City Auditor in carrying out their implementation.

As pointed out by the Office of City Auditor (OCA) in their report, Risk Management's Workers' Compensation Division has a robust process for administering the City's workers' compensation program. The Workers' Compensation Division must work within the confines and rigidity of State laws and regulations to provide injured employees with prompt medical treatment and indemnity benefits when a workplace injury occurs. These mandated benefits are dictated by the California Labor Code and California Code of Regulations. The City's Workers' Compensation Program is self-insured and self-administered and its employees are certified in accordance with State requirements. The Division takes pride in the caliber of its employees and recognizes their commitment to providing excellent customer service to

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their fellow colleagues and administering claims with the utmost degree of professionalism and empathy. This expertise has historically yielded favorable outcomes in claims handling audits conducted by the Department of Industrial Relations' Division of Workers' Compensation and demonstrates adherence to claims handling best practices. While workers' compensation costs are directly impacted by benefit mandates imposed by State law, worth noting is the City of San Diego's unique organizational structure compared to the private sector and public entities that do not offer the same level of services. OCA's report includes workers' compensation cost trends throughout California which includes the private sector. City of San Diego is unique not only by virtue of its size, eighth largest in the nation, but also due to the breadth of in-house services provided. This includes not only Police, Fire and Lifeguards, but also in-house refuse collection, which many public entities contract out.

The Risk Management Department continues to implement cost containment measures to minimize the City's financial risk. This includes competitive pricing through its managed care contract, medical provider network, and investigative services contract to address allegations of fraud. Further, the Risk Management Department has in recent years implemented additional proactive measures to curtail workers' compensation costs. This includes: collaborating with departments to create proactive plans of action to address claims experience, holding regular meetings with departments to review claim status and explore return to work options for injured employees, partnering with the Compliance Department's Occupational Safety and Health Division to provide training, safety guidance, and perform ergonomic evaluations. As indicated in the report, the Workers' Compensation Division transitioned its claims management process to a paperless environment to better streamline claims and promote efficiencies. Lastly, the Risk Management Department is committed to a holistic approach to managing the City's risk as evidenced by the creation of the Loss Control team and the Department's contribution in launching the City's Safety and Risk Oversight Committee (SROC), chaired by the City's Chief Financial Officer. The Department is excited and confident that these two new initiatives will better position the City for workers' compensation cost stabilization. Many opportunities to lower overall costs remain and the Department remains focused on implementing innovative, proactive measures to reduce risk.

RECOMMENDATION 1: To specify roles and responsibilities in the process of implementing, maintaining, and monitoring department-specific Injury and Illness Prevention Programs (IIPP), the Compliance Department's Occupational Safety and Health program (OSH) should establish and implement an Administrative Regulation or process narrative that includes the following elements.

For operating departments, the Administrative Regulation or process narrative should establish roles and responsibilities that include:

- Developing and implementing a department-specific IIPP that meets State requirements and department-specific needs;
- Providing the department-specific IIPP to OSH for review;
- Collecting information on activities supporting the IIPP and reporting it to OSH; and,
- Conducting an annual review of the department-specific IIPP and reporting the results to OSH with an attestation from the department director.

For OSH, the Administrative Regulation or process narrative should establish responsibilities that include:

- Educating departments on requirements for department-specific IIPPs;
- Reviewing department-specific IIPPs for compliance with State requirements and conformance with Citywide workplace safety goals;
- Notifying appropriate Deputy Chief Operating Officers and the Chief Operating Officer of departments lacking an IIPP;
- Requesting departments review their IIPP annually, report to OSH the results of their review with an attestation by each department director on the accuracy of the update, and report any changes to the department-specific IIPP; and
- Summarizing annual updates from departments in an annual Citywide safety report to Department Directors, Deputy Chief Operating Officers, the Chief Operating Officer, and the Safety and Risk Oversight Committee. (Priority 1)

Management Response: Agree. Compliance Department staff will prepare a document to better outline IIPP processes and roles for City department and OSH staff. Compliance notes that the ability to fulfill all the requirements of the IIPP process as detailed in the recommendation will hinge upon the addition of 1.00 Safety Officer to Compliance's staff. This position will support the development and implementation of department IIPPs, as well as reporting requirements, for those departments who do not have their own safety staff.

Target Implementation Date: December 31, 2023.

RECOMMENDATION 2: To help ensure the Occupational Safety and Health (OSH) is fulfilling its goals, the Compliance Department should establish Key Performance Indicators (KPI) for OSH that include measurable progress towards safety goals. The Compliance Department should consider KPIs that include but are not limited to: trainings conducted by OSH, response time to reports of safety concerns or hazards received by OSH, and departments reviewed by OSH for compliance with their Injury and Illness Prevention Program.

As part of this endeavor, OSH should consider developing a Citywide workplace safety incentives program for investing in safety measures and creating opportunities to learn from other departments, similar to the University of California's Be Safe About Safety initiative, and consider external funding sources such as occupational safety and health grants from outside agencies. (Priority 2)

Management Response: Agree. Compliance Department will include key performance indicators for OSH in the FY 2023 Adopted Budget. Compliance will also consider developing a Citywide workplace safety incentives program, working in conjunction with the operational departments that participate in the City's quarterly SROC meetings.

Target Implementation Date: August 31, 2022 for key performance indicators. Compliance will review what is possible for a workplace incentive program by January 31, 2023. At that time Compliance will note whether such a program is feasible, and if it is Compliance will provide an updated target implementation date.

RECOMMENDATION 3: To help address employee concerns and improve Citywide workplace safety culture, the Compliance Department's Occupational Safety and Health program (OSH) should work with the Performance and Analytics Department to include questions regarding workplace safety programs in the Employee Satisfaction Survey. In addition to department

directors, OSH should receive a copy of ESS results and use the results of the survey to analyze potential Citywide trends or employee concerns and coordinate with departments—allowing for departments with designated safety personnel to conduct their own analysis—to address employee concerns and make process adjustments to improve department safety programs, such as reporting safety concerns, conducting periodic inspections, providing regular training, and promoting a safe workplace. (Priority 2)

Management Response: Agree. Compliance Department will work with the Performance & Analytics Department to survey departments on workplace safety. Survey results will be provided to Compliance Department for review as well as shared with all City departments including via SROC for discussion and actionable next steps.

Target Implementation Date: October 31, 2022.

RECOMMENDATION 4: To ensure all employees are aware of how to report safety concerns, the Compliance Department's Occupational Safety and Health program (OSH) should prepare annual notifications that provide all City employees with information on how to report safety concerns. For departments with designated safety personnel, OSH should coordinate these annual notifications to ensure the notifications are aligned with the departments' specific procedures for reporting safety concerns. For departments without designated safety personnel, OSH should send these annual notifications to employees. (Priority 3)

Management Response: Agree. OSH will prepare annual notifications that provide all City employees with information on how to report safety concerns.

Target Implementation Date: May 31, 2023.

RECOMMENDATION 5: To ensure the City takes a data-driven approach to proactively identifying safety issues and preventing injuries from happening, Occupational Safety and Health program (OSH) should work with City departments to set department safety goals and establish department safety performance indicators that include:

- Leading safety indicators, such as the percentage of employees attending safety refresher trainings, average time to address safety issues, and percentage of monthly/weekly safety inspections completed; and
- Lagging safety indicators, such as incident rate, Days Away Restricted or Transferred (DART) rate, and loss time rate.

The selection of department safety indicators should involve employees at all levels within the department/division. Safety performance results should be shared with all levels of the department/division.

OSH should periodically review departments' performance in achieving their safety goals, report this information in the annual Citywide safety report identified in Recommendation 1, and work with departments to update their IIPPs on a regular basis based on departments' safety performance. (Priority 1)

Management Response: Agree. This recommendation requires a new process and level of interaction between Compliance Department's OSH staff and department safety staff, including the dissemination of substantive reporting to SROC members. To support this new

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process and associated reporting, analysis, and performance tracking, Compliance will need to have a safety data solution in place and will need an analyst position to lead the process. The safety data solution solicitation is currently underway, and Compliance expects to have a vendor selected in fiscal year 2023. A dedicated analyst position will be requested as part of the fiscal year 2024 Proposed Budget process.

Target Implementation Date: To be determined depending upon fiscal year 2024 budgeted resource allocations.

RECOMMENDATION 6: To ensure City departments are kept informed on workers' compensation claim trends, the Risk Management Department should report on all City departments with workers' compensation claimants in its Worker' Compensation and Safety performance report. The report should include workers' compensation claim trends analysis, incident cause analysis, and, where possible, incident location analysis. (Priority 2)

Management Response: Agree. The Risk Management Department started shifting its approach in utilizing data analytics to evaluate trends and identify areas for improvements as it relates to claims loss trends. A new Loss Control Team was created in FY 2022 with one of its primary objectives being to focus on gathering key data points from the City's claims management system (iVOS). This will allow for reporting on claim trends, incident cause, and incident location analysis for all departments. Risk Management will be introducing Workers' Compensation dashboards to the top five loss incurring departments, will concentrate on consistent roll out to the rest of the departments thereafter, and ensure that reporting on workers' compensation claim trends is provided to SROC for review and analysis.

Target Implementation Date: December 31, 2022 for Workers' Compensation dashboards for the top five loss incurring departments and consistent roll out thereafter through December 31, 2023 for the rest of the departments.

RECOMMENDATION 7: To ensure management and the Occupational Safety and Health program (OSH) have timely access to injury and illness information to evaluate and drive positive changes to the City's safety programs, OSH should implement a safety data collection process outlining the roles and responsibilities of OSH and operational departments. Under such process,

- OSH should implement a data solution, such as a safety software system, that will enable the capture of recordable injuries and supervisor's investigation reports at the department level.
- OSH should provide guidance and training to department safety personnel on how to analyze their department's data and how to report to department management as well as OSH the number and type of incidents, common incident causes, corrective actions taken, trends in incident rates and days away from work rates, etc. OSH should perform such analysis for departments without safety personnel.
- OSH should analyze records submitted by departments to identify and monitor Citywide trends and benchmark against comparable organizations or occupations to identify areas for improvement.

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OSH should report the results of their analysis and coordinate with department directors to report department-specific analysis to the Safety and Risk Oversight Committee at least annually. (Priority 1)

Management Response: Agree. Compliance Department OSH staff have already started working with the Purchasing & Contracting Department on the procurement of a safety data solution, and Compliance expects to have a vendor selected in fiscal year 2023. A dedicated analyst position will be requested as part of the fiscal year 2024 Proposed Budget process to lead the process of analyzing records submitted by departments, reporting on citywide trends, and undertaking benchmarking efforts.

Target Implementation Date: To be determined depending upon fiscal year 2024 budgeted resource allocations.

RECOMMENDATION 8: To ensure departments can effectively conduct incident investigation and take corrective action measures timely, the Compliance Department's Occupational Safety and Health program should develop, document, and implement a Citywide incident investigation program. The program should provide for OSH and any designated department safety staff to train department supervisors and other relevant personnel on incident investigation procedures, specify when and how often trainings will be provided, focus on identifying root cause(s) of the injury, emphasize correcting root cause(s), and provide for an annual program review to identify areas of improvement to the program. Trainings should guide personnel who conduct investigations to effectively conduct, document, and perform injury root cause analysis as well as identify and implement corrective action measures. To ensure program effectiveness, OSH should coordinate with department safety staff to provide department supervisors with relevant accident examples, realistic corrective actions, and guidance on using a systems approach for incident investigation, including root cause analysis. (Priority 1)

Management Response: Agree. Compliance Department's OSH team is in the process of filling a vacant Safety and Training Manager position, and when filled will work with Compliance Department management and OSH staff to support the development and implementation of an incident investigation program.

Target Implementation Date: July 31, 2023.

RECOMMENDATION 9: To ensure supervisor incident investigations are properly documented, the Compliance Department's Occupational Safety and Health program (OSH) should:

- Update the Citywide Supervisor Injury/Illness Investigation form to include a description of the incident from eyewitnesses and employees with knowledge of the incident, identification of root cause(s), and corrective action(s) taken.
- Require all departments use the standard Citywide Supervisor Injury/Illness Investigation form. However, in cases where departments need to customize the form, OSH should work with departments as needed to tailor their form to meet department-specific needs while also meeting the minimum requirements of the Citywide form. (Priority 2)

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Management Response: Agree, although the ability to work with departments to customize the Supervisor Injury/Illness Investigation form as detailed in the recommendation will hinge upon the addition of 1.00 Safety Officer to Compliance's staff as previously noted in Recommendation 1. This position will exclusively support those departments who do not have their own safety staff.

Target Implementation Date: To be determined depending upon fiscal year 2024 budgeted resource allocations.
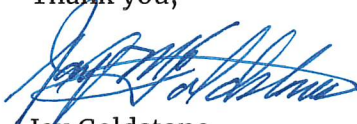
RECOMMENDATION 10: In order to strengthen the control environment and provide supervisors and managers in the Risk Management Department with the ability to verify that all red flags and tips are thoroughly investigated, the Risk Management Department's Workers' Compensation Division should update its procedures for investigating red flags and fraud tips to include monitoring of all fraud red flags and tips in a central document. Workers' Compensation should analyze all fraud red flags and tips and make appropriate updates to its procedures if it identifies any trends. Workers' Compensation should document its analysis and report the results of its assessment to the Safety and Risk Oversight Committee on an annual basis. (Priority 2)

Management Response: Agree. The Workers' Compensation Division will research red flags and fraud tips monitoring best practices and identify options to centrally track potential red flags and identify trends while ensuring claim confidentiality. Once a tracking mechanism is implemented the process will be documented in the claims manual and corresponding training will be provided to staff.

Target Implementation Date: December 31, 2022.

Thank you for the opportunity to provide responses to these recommendations. Management appreciates your team's professionalism throughout this review.

Thank you,

Jay Goldstone
Chief Operating Officer

JG/cmg

cc: Paola Avila, Chief of Staff, Office of the Mayor
        Charles Modica, Independent Budget Analyst
        Matthew Vespi, Chief Financial Officer
        David Nisleit, Chief, Police Department
        Colin Stowell, Chief, Fire-Rescue Department
        Kristina Peralta, Deputy Chief Operating Officer
        Jessica Lawrence, Director of Policy, Office of the Mayor
        Christiana Gauger, Chief Compliance Officer, Compliance Department
        Kirby Brady, Director, Performance & Analytics Department
        Angela Colton, Director, Risk Management
        Misty N. Jones, Director, Library Department

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    Elyse Lowe, Director, Development Services Department
    Renee Robertson, Director, Environmental Services Department
    Casey Smith, Director, General Services Department
    Quennelle Allen, Deputy Director, Risk Management
    Julio Canizal, Deputy Director, Transportation Department
    Claudia Castillo del Muro, Deputy Director, Risk Management
    Kristi Geitz, Deputy Director, Compliance Department
    Joseph Sousa, Workers' Compensation and Insurance Manager, Risk Management
    Deborah Moser, Program Manager, Compliance Department