



# OAG

Office of the Auditor General

## Report Summary

*Performance Audit*  
*Workers' Disability Compensation Agency*  
*(WDCA)*  
*Department of Labor and Economic*  
*Opportunity*

**Report Number:**  
**641-0470-18**

**Released:**  
**December 2019**

Effective August 11, 2019, Executive Order No. 2019-13 transferred the Workers' Compensation Agency from the Department of Licensing and Regulatory Affairs to the Department of Labor and Economic Opportunity (formerly the Department of Talent and Economic Development) and renamed it as the Workers' Disability Compensation Agency. WDCA's mission is to efficiently administer the Worker's Disability Compensation Act and provide prompt, courteous, and impartial service to all customers. Workers' disability compensation provides wage replacement, medical, and rehabilitation benefits to employees who suffer work-related injuries. As of December 31, 2017, WDCA had 62 employees and expended \$10.0 million for administration for fiscal year 2017.

Generally accepted government auditing standards require us to report significant constraints imposed upon the audit approach. We encountered one issue applicable to Objective #1 that necessitates reporting.

To identify potential Michigan businesses that may not be covered for workers' compensation insurance, we requested employer records from the Unemployment Insurance Agency (UIA), Department of Labor and Economic Opportunity. We intended to match the active employers in UIA's database against the population of active employers in WDCA's Workers' Compensation System. UIA declined our request for the data, which prevented us from determining the completeness of WDCA's employer population. We ultimately obtained the UIA data in October 2019, and we will report the results of our data match in a separately issued report.

Audit Objective	Conclusion
Objective #1: To assess the effectiveness of WDCA's efforts to ensure employer compliance with selected requirements of the Worker's Disability Compensation Act.	Moderately effective

<b>Findings Related to This Audit Objective</b>	<b>Material Condition</b>	<b>Reportable Condition</b>	<b>Agency Preliminary Response</b>
<p>WDCA could improve its efforts to protect Michigan employees from lost compensation because of a job-related injury by:</p> <ul style="list-style-type: none"> <li>• Following up on employers whose requests for exclusion from workers' compensation coverage were denied.</li> <li>• Properly documenting follow-up for employers whose insurance was canceled.</li> <li>• Properly tracking follow-up of employers who allowed their coverage to lapse (<u>Finding #1</u>).</li> </ul>		X	Agrees

<b>Audit Objective</b>			<b>Conclusion</b>
Objective #2: To assess the effectiveness of WDCA's oversight of workers' compensation wage loss claims.			Effective
<b>Findings Related to This Audit Objective</b>	<b>Material Condition</b>	<b>Reportable Condition</b>	<b>Agency Preliminary Response</b>
<p>WDCA's review of 195 potentially inaccurate claims, flagged as delinquent for lack of response from insurance carriers, were outstanding an average of 307 days. Enhanced follow-up with insurance carriers may foster more timely and accurate initial reporting and reduce the need for further contact by WDCA (<u>Finding #2</u>).</p>		X	Agrees

<b>Audit Objective</b>			<b>Conclusion</b>
Objective #3: To assess the effectiveness of WDCA's administration of select funds.			Effective
<b>Findings Related to This Audit Objective</b>	<b>Material Condition</b>	<b>Reportable Condition</b>	<b>Agency Preliminary Response</b>
None reported.	Not applicable.		

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