Sick Leave Injury Program

July 1, 2000 to December 13, 2002

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The Honorable Albio Sires  
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Executive Director  
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Enclosed is our report on the audit of the Sick Leave Injury Program for the period July 1, 2000 to December 13, 2002. If you would like a personal briefing, please call me at (609) 292-3700.

March 13, 2003
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Sick Leave Injury Program

Scope

We have completed an audit of the Sick Leave Injury Program for the period July 1, 2000 to December 13, 2002. The administration of the program is assigned to the Department of Personnel. The prime responsibility of the Sick Leave Injury Program, established by N.J.S.A. 11A:6-8 and defined in N.J.A.C. 4A:6-1.6 et. seq., is to provide a continuation of pay for up to one year for state employees who are injured or become ill on the job. After a year on the Sick Leave Injury Program, employees are moved to the state’s Workers’ Compensation Program until final disposition of their case. In fiscal year 2002, Sick Leave Injury (SLI) wages were $6.8 million.

Objectives

The objectives of our audit were to determine whether salary benefit costs were recorded properly in the accounting systems, were related to the Sick Leave Injury Program, and were reasonable.

This audit was conducted pursuant to the State Auditor’s responsibilities as set forth in Article VII, Section 1, Paragraph 6 of the State Constitution and Title 52 of the New Jersey Statutes.

Methodology

Our audit was conducted in accordance with Government Auditing Standards, issued by the Comptroller General of the United States.

In preparing for our tests, we studied legislation, administrative code, circular letters promulgated by the State Comptroller, and policies of the state. Provisions that we considered significant were documented and compliance with those requirements was verified by interview and observation, and through our samples of case files. We also read the budget message, reviewed financial trends and interviewed personnel to obtain an understanding of the program and its internal controls. We also reviewed similar programs administered by other
states and the federal government. In addition, we merged the Risk Management Information System database to other applicable databases to assist in our review of the program.

Statistical and nonstatistical sampling approaches were used. Our samples of SLI cases were designed to provide conclusions about the validity of the SLI wages as well as internal control and compliance attributes.

Conclusions

We found that the SLI wages were properly recorded in the accounting systems and were related to the program. However, we question the reasonableness of the program.

The state could eliminate the Sick Leave Injury Program and utilize its Workers’ Compensation program which has comparable benefits, and an infrastructure already in place to administer the program and prevent abuse. Such action could save the state $2.5 million annually. If not eliminated, we recommend that an audit function of the SLI program be administered by the Department of the Treasury, Bureau of Risk Management, which oversees the state’s Workers’ Compensation program. The audit function could provide DOP management with feedback on compliance with guidelines and objectives through reviewing SLI cases. This recommendation is based upon the results of our tests which noted that control procedures are not adequate. Finally, we recommend that the Department of Personnel implement a state-wide health and safety program that focuses on the reduction of work-related injuries.
The state should eliminate the Sick Leave Injury Program and save $2.5 million annually.

Best Practices

The State of New Jersey is one of four states, along with the federal government, that has a continuation of pay program for injured employees to collect full wages. New Jersey’s program is, by far, the most generous with a one year benefit time. The federal government has a 45 day benefit time and the other states follow with 22, 21, and 7 days. This continuation of pay program cost New Jersey $6.8 million in fiscal year 2002. The state could have saved $2 million and provided similar services and benefits if its Workers’ Compensation (WC) Program was used. This savings represents the difference between the taxable SLI benefit versus the non-taxable WC benefit. Additional savings of $500,000 would be realized from the employer share of payroll taxes.

The matrix below shows the impact of weekly benefits at various salary levels. Those making $50,000 or less would take home about the same amount since taxes and deductions would not be taken from the WC benefits. This change would most effect those making more than $50,000 since there is a $629 weekly cap on WC benefits. Historical data shows only 14 percent of state employees on SLI are in this category and the average benefit time is only 24 days.

<table>
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<td><strong>Status</strong></td>
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*The SLI take home amounts are not reduced by union dues, additional health benefit costs, deferred compensation etc.*
**Recommendation**

We recommend the Department of Personnel (DOP) and the Department of the Treasury coordinate their efforts to introduce legislation for the elimination of the Sick Leave Injury Program.

**Auditee’s Response**

The SLI program is a benefit which was created in 1930, and therefore, its elimination would have significant policy impacts. The DOP will share the State Auditor’s recommendation to eliminate SLI with the Department of the Treasury, as recommended, as well as with the leaders of the various unions which represent state employees.

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**Controls**

In accordance with N.J.A.C. 4A:6-1.7, the Department of Personnel (DOP) was given the authority to approve or deny requests for SLI. However, DOP has delegated the approval to each state agency and only compiles annual SLI data. Our review found that there was inadequate management oversight to ensure the accuracy or completeness of case files, proper approval of claims, timely removal from the program at the end of the benefit period, or identification of abuses. The State of New Jersey utilizes the Risk Management Information System (RMIS) to control and monitor the Sick Leave Injury Program. The RMIS does not account for all SLI cases. We found that there are ten organizations that are not recording SLI cases in RMIS. These organizations approve their SLI cases and forward copies of the approvals to DOP for review. Our tests also noted that the status of recorded cases is not always accurate because changes are not posted.

Additionally, we found that the RMIS does not interface with other systems such as the state’s disability system, wage reporting system, payroll and personnel information systems to prevent benefit
payment abuses. When we matched RMIS to the state payroll and personnel system, we found five employees on SLI over the one year benefit period. We also matched the RMIS to the wage reporting system for non-state employers and 277 matches were generated. This match exposes the risk that employees on SLI could be working at other jobs. These cases were forwarded to Risk Management for investigation and the results are pending at the date of this report. Our comparison of RMIS with the State Disability Benefits Program found 18 matches. This match exposes the risk that employees could be receiving both SLI and disability benefits at the same time. These cases were turned over to the State Disability Office for review; one case represented an overlap of benefits from both programs.

A lack of management oversight of the approval process increases the risk of abuse. Our review of case files noted that documentation of a review for a recurring injury which is not allowed was not present in the files. One case file was for an employee who had over 20 years of service and been on SLI 15 times. In another case, an employee was injured in the left ankle and each subsequent injury worked its way up the left side and then started down the right side. Management’s approval process does not consist of a detailed review of documentation to assure compliance to guidelines and objectives, nor does it have an investigative arm that could review cases and identify abuse.

**Recommendation**

If the state chooses to continue the SLI program, we recommend that the audit function of the Bureau of Risk Management be utilized to provide SLI operational feedback to DOP management. The audit and investigative functions would provide the oversight needed by the SLI program with a minimal amount of additional resources.

**Auditee’s Response**

The report correctly recognizes that resources available to administer the SLI program are a critical
factor in designing and implementing appropriate controls. During the time period covered by the audit, the DOP had one professional employee assigned to the program. The DOP believes that the recommendation of strengthening the auditing and investigative functions with respect to SLI is a helpful proposal. Despite significant budget and staff reductions since 1990, the DOP hopes to expand its capability to conduct audits of SLI with new tools currently under development as discussed more fully below. The DOP will pursue with the Department of the Treasury the recommendation to utilize the investigative capabilities within the Bureau of Risk Management. As a result of an internal review of the SLI program conducted over the last six months, the DOP has also identified several other controls which it is currently implementing in addition to enhanced auditing.

First, a uniform Policy and Procedure to govern the review and administration of SLI claims throughout the state government has been developed. It will be implemented in conjunction with a training program for all personnel responsible for handling SLI matters. The Policy and Procedure contains guidelines for determining if a claim for SLI meets the regulatory standards. It also provides guidance on the steps to be followed in the processing of claims, such as reporting, conducting investigations and making physician referrals. The DOP plans to meet regularly with the agency SLI Coordinators to ensure that oversight and assistance are available on an on-going basis after the initial training.

Additionally, as indicated in the audit report, one of the barriers to effective monitoring of SLI has been the technology for capturing and retrieving relevant information. The Department of the Treasury’s Risk Management and Information System (RMIS) is being utilized for recording of SLI claims. However, as stated in the report, RMIS does not interface with other pertinent systems, such as the state’s disability system and the wage reporting system. The DOP is
working with the Department of Labor to coordinate the matching of SLI files from RMIS with files from those Department of Labor systems. Regular matching of these files will enable DOP to conduct meaningful reviews for compliance with applicable SLI guidelines. Additionally, DOP has identified to the Division of Risk Management the reports which are needed from RMIS on a regular basis. Generation of these reports from RMIS will provide a critical tool for DOP to monitor SLI usage and administration.

Health and Safety Program

A comprehensive state-wide health and safety program should be implemented. Some departments and agencies, with the assistance of Department of Personnel, have taken the initiative to introduce health and safety, and purchasing programs. However, the majority of state agencies have no health and safety prevention program. State employees are being injured due to negligence, accidents, or not having user friendly equipment. Injuries cost the state $41 million annually in SLI wages, workers’ compensation benefits, and medical costs. The development and implementation of a state-wide safety program and the purchase of ergonomic (injury user friendly) equipment and the proper training in its use could reduce or prevent injuries. Health and safety programs have been successful in other states, like Oregon’s program that reduced injury claims by 50 percent. In four years, the Federal Bureau of National Affairs program has reduced injuries by 75 percent (132,000 injuries to 30,000). This reduction in injuries could be realized by New Jersey if the state implements a state-wide injury reduction and prevention program for employees that also addresses the purchasing of equipment.

Recommendation

We recommend that Department of Personnel implement a health and safety program similar to
those cited above. We also recommend that the Department of Treasury, Bureau of Purchase and Property implement a program to purchase ergonomically friendly equipment that would assist in reducing injuries.

**Auditee’s Response**

The DOP has an Office of Occupational Health and Safety, whose concentration has been on ergonomic issues. The office has provided its expertise to agencies to ensure that purchases made by the agencies and the Division of Purchase and Property will in fact be ergonomically effective. The benefits of this effort are already being realized. For example, in the Office of Information Technology (OIT), one year after the establishment of a comprehensive ergonomics program the prevalence of all musculoskeletal symptoms was reduced by 40 percent. An ergonomic retrofit at the Department of Law and Public Safety, Division of Law, resolved 34 medical cases and 31 complaints of pain or discomfort related to computer workstation problems.

The DOP agrees with the State Auditor that preventative measures are key to reducing work-related injuries. Therefore, the DOP has expanded the role of its Occupation Health and Safety Office. The office is now charged with conducting general health and safety audits for the purpose of identifying and prioritizing health and safety needs. One focus of the audits is to review SLI and workers’ compensation claims and accident reports to identify hazards or trends.

In order to maximize available staff resources, the office will conduct this effort in conjunction with the human resources staff of the agencies operating under the Shared Services model. At the present time, ten agencies participate in Shared Services, in which the DOP provides human resource services to the
agencies. As Shared Services continues to expand throughout state government, the services of the Occupational Health and Safety Office will

benefit more agencies. This will provide a cost-effective way to achieve the goal of reducing work-related injuries and the resultant human and fiscal impacts.