![Washington State Department of Labor & Industries]

Self-Insurance Compliance Audit Plan
For Audit Years January 2022 – December 2023

Self-Insurance Program Compliance

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Self-Insurance Compliance Audit Plan for Calendar Years January 2022 through December 2023

I am pleased to present the *SI Compliance Audit Plan for Audit Years January 2022 – December 2023* (Plan).

Beginning in November 2021 we developed a 2-year audit plan that was designed to provide:

- earlier client notification of audit,
- increased Plan stability, and
- communicate the continued commitment to audit reform and services.

The following pages provide updated information for the Years 2022 through 2023 Audit Cycle.

Consistent with our new audit model we allocated audit resources to provide audit coverage across three major areas of focus – 1) Performance-based audits (Tier 1 – Timeliness; Tier 2 – Wage Accuracy; Tier 3 - Entitlement), 2) Issue-based audits, and 3) Complaint-based audits.

The Plan is the first step in moving the Self-Insurance Compliance program into alignment with the *Red Book* standards of practice, the Plan satisfies the requirements of applying audit resources against areas posing strategic risk and maximizing audit coverage across the Self-Insured community.

On behalf of our team, I thank you in advance for taking the time to read this Plan. We hope you find the information useful and look forward to a productive partnership.

Sincerely,

Brian A.P. Schmidlkofer
Self-Insurance Compliance Operations Manager
Department of Labor & Industries

cc: Self-Insurance Program

        Self-Insurance Community

        Audit Governance Committee

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SECTION 1:   Overview

The SI Compliance Audit Plan (SICAP or Plan) is a statement of planned use of audit resources for the upcoming coverage period. Consistent with the *Red Book* standards of practice, the Plan serves the twin purposes of applying audit resources against strategic risk while maximizing audit coverage by taking into account audit or other activities from all sources that provide insight and assurance into SI community's compliance with statutes, rules, and applicable case law.

The Plan is made up of two areas of focus:

1.   Performance-based audit,
2.   Issue-based audit, and
3.   Complaint-based audit

Operational activities that were defined through audit reform have been integrated into the performance-based audit, issue-based audit, and complaint-based audit. The compliance team will continue to focus on alignment with *Red Book Standards* as defined by *(IPPF)* International Professional Practices Framework.

This Plan has also been shared and communicated to the SI Governance Committee which consists of both labor and business representatives.

SECTION 2: SI Compliance Audit Plan

The Plan (shown in Schedule 1.0) commits 22,630 direct hours of audit resources to 350+ Self-Insurers. The three audit categories above consume 100% of the available direct hours. For the 2022–2023 cycle years, the audit staff will experience 3 temporary reduction in staffing. To allow for new staff to undergo onboarding and training we adjusting the performance based audit model to accommodate our staff capacity. A select number of firms will be transitioned directly to a performance based wage audit. Those firms that do not pass this wage audit may be selected for an entitlement audit as time and staff capacity allows. The remaining firms will undergo a standard performance based audit model.

The Plan has two major dependencies that need to be considered and hours shown are only planned estimates not actual hours:

1st) The Performance-based audit uses a tiered model and employer's movement through each tier is dependent upon Pass/Fail thresholds set by the department. As such the number of employers that advance through each tier is dictated by these thresholds.

2nd) It is also important to note that the audits within the Plan are meant to run concurrently meaning an auditor could and will have multiple audits in process during the audit cycle.

Insert Schedule 1.0 – Self-Insurance Compliance Audit Plan

		CY's 22-23 Self-Insurance Compliance Audit Plan		
#	**Project #**	**CY 22-23 Planned Use of Audit Resources**	**Planned Hours**	**% Direct Hours**
			22,630	**100%**
		Audits		
1	22-23-01	Performance-based Audit:	11,000	49%

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SI Compliance Audit Plan
Audit Years January 2022 – December 2023

#	Project #	CY 22-23 Planned Use of Audit Resources	Planned Hours	% Direct Hours
		CY's 22-23 Self-Insurance Compliance Audit Plan		
			22,630	**100%**
		Tier 1 Timeliness (approximately 187 firms will participate in the tiered audit this cycle)	5,940	
		Tier 2 Wage Accuracy	3,300	
		Tier 3 Entitlement	1,320	
		Follow-Up Reviews	440	
2	22-23-02	Performance-based Audit (approximately 164 firms will participate in a wage audit only with a maximum of 5 claims selected)	9,630	43%
3	22-23-03	Complaint-based Audit	2,000	8%
		Auditing Subtotal	**22,630**	**100%**
		Total Planned Hours	**22,630**	**100%**

SECTION 3: Preparing for audit

This section provides an explanation on what to expect in the audit process for the 2022 through 2023 audit plan cycle. It will also give guidance on what to be prepared for and how best to make the process as smooth as possible for both you and the auditor assigned to conduct your review.

What is the purpose of a program compliance audit?

The Self-Insurance section of L&I conducts audits of self-insured businesses to determine whether you are complying with Washington state laws governing workers' compensation.

What can I expect?

A program compliance auditor from L&I's Self-Insurance section will conduct the audit.

The first step will be to examine a selection of industrial injury claims via access to your claims management system or by request of the claim file for review. In some cases, an onsite visit may be the only other alternative to complete the review.

Program compliance will send an initiation letter to you indicating that you have been selected for audit and a list of the claims that will be reviewed for the period selected. The three ways to provide the information needed are allowing auditor access to your claims management system, providing a paper or electronic copy of the claim file, or schedule an onsite visit with the auditor.

After the review is complete, you will receive a preliminary report prepared by the program compliance auditor. The auditor will also work with you to determine whether or not you elect to have a walkthrough of the audit results prior to a final report being issued. It is encouraged that you participate in a walkthrough if you feel that you have new facts to present or have specific questions related to your audit.

When can I expect an audit?

The audit plan cycle runs from January 1st, 2022 through December 31st, 2023.

Performance-based audit is scheduled to begin January 1st, 2022. The sending of the audit initiation letters will be staggered throughout the 2022-2023 audit schedule.

Issue-based audits may be scheduled accordingly based on which employers were randomly selected and staff capacity. If selected, you will be sent an initiation letter explaining the scope of review and the information that will be needed to complete the review.

Complaint-based audits also may be scheduled, when necessary, to investigate allegations of improper claims handling, denial of benefits or practices contrary to the rules governing self-insurance.

SECTION 4: Approval

I approve the 2-Year *Self-Insurance Compliance Audit Plan (SICAP) for Calendar Years January 1, 2022 through December 31, 2023*, effective December 31, 2021.

Knowrasa Patrick

Knowrasa Patrick, Self-Insurance Program Manager
Department of Labor and Industries