

STATE OF MARYLAND

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THE SUBSEQUENT INJURY FUND  
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Public Safety, Transportation, and Environment Subcommittee  
Budget & Taxation Committee  
Senator James E. DeGrange, Sr., Chair  
February 15, 2016

Public Safety and Administration Subcommittee  
House Appropriations Committee  
Delegate Keith E. Haynes, Chair  
February 10, 2016

SUBSEQUENT INJURY FUND RESPONSE FY2017 C94I00 BUDGET ANALYSIS

Recommendation:

***The Department of Legislative Services (DLS) recommends that new cases opened, cases reopened, cases resolved, and net resolved cases information be provided in Managing for Results measurements starting with the fiscal 2018 budget.***

Subsequent Injury Fund agrees to provide the metrics recommended beginning with fiscal budget 2018 submission.

Issue:

***The agency should comment on the unfunded liability and discuss whether the 6.5% assessment rate is sufficient to maintain the fund.***

The Subsequent Injury Fund has been aware and concerned with the unfunded liability for a number of years. The Fund has and will continue to keep vigilant oversight of the balance of the Fund. It is unlikely that adequate financial resources will ever be available to fully fund the Fund's total liability. The Fund will almost certainly continue to operate on a "pay as you go" basis. In discussions with the Legislature it was recommended that actuarial studies be conducted every 4-6 years; the first study was performed in 1989. The Fund has had five (5) actuarial studies-to-date and is in the process of the sixth (6), which is due to be complete by April 1, 2016. Thus far, the assessment rate has proven adequate to pay all claims and allow the Fund balance to gradually increase.

Pinnacle Actuarial Resources, Inc. performed the 2011 actuarial study and recommended that the 6.5% assessment rate be maintained. Through the procurement process, Pinnacle was awarded the 2016 actuarial study contract. Based on their current analysis Pinnacle suggests continuation of the current 6.5% assessment rate for the next several years. The agency is confident in the recommendation. The Subsequent Injury Fund will share the final report with

the legislature at the completion of the study. The Fund will continue to work closely with the legislature in coming years as new studies are complete.

Recommended Actions:

**Concur with Governor's allowance.**

Subsequent Injury Fund concurs with budget recommendations and will so testify.

*APPENDIX 2*

Audit Findings:

Audit Period January 5, 2011-October 28, 2013; Issue date: August 2014

***Finding 1: Claim payments were not independently reviewed for validity and accuracy.***

SIF Response 1: SIF concurs and as of February 12, 2014, SIF has been in compliance with OLA's Recommendation. An independent review of all weekly non-recurring payments, recurring payment account payment setup requests, and recurring payment removal requests are verified for accuracy and validity. In addition, SIF has reinstated the use of the bi-weekly reconciliation summary sheets to independently review recurring benefit payments (on a test basis) to ensure payments are valid and accurate.

***Finding 2: SIF did not always pursue recovery of payments improperly disbursed to deceased individuals.***

SIF Response 2

- a. SIF agrees with OLA's recommendations. Once notified of claimant's death, current practice is to immediately cease further payments and recover any outstanding payments that have not been presented for payment. SIF will actively pursue recovery of funds disbursed to deceased beneficiaries in a timely manner; and
- b. Recovery of improper payments to deceased beneficiaries will be pursued diligently including referral to the Attorney General-Criminal Division when appropriate.

***Finding 3: SIF did not conduct independent reviews of the establishment of assessment accounts and adjustments to those accounts. Additionally, SIF did not properly separate the responsibilities for billing assessments and processing the related collections.***

SIF Response 3

- a. SIF concurs and will conduct independent reviews, on a test basis, to ensure that WCC awards are accurately entered into the accounts receivable records and only properly authorized adjustments are recorded into the accounts receivable records. Tested assessments and adjustments will be marked 'reviewed' and date/time stamped by reviewer in QuickBooks.
- b. SIF concurs and is in the process of complying with OLA's recommendation to separate all accounts receivable functions now that the third fiscal position has been filled and becoming fully functional.

***Finding 4: SIF did not always take timely action to collect delinquent assessment accounts.***

SIF Response 4: SIF concurs and will comply with OLA's Recommendation to pursue accounts for collection in accordance with State regulations.

***Finding 5: Controls were not sufficient over passwords and sensitive personally identifiable information (PII).***

SIF Response 5

- a. SIF agrees. On 4/18/14 SIF enabled the highest level of password controls available in the application which is PCI DSS level protection.
- b. SIF agrees, and on 2/12/14 SIF implemented a revised database and application that encrypts and decrypts the SSN both at rest and in transit to state and federal encryption standards.
- c. SIF agrees. The version implemented 2/12/14 provides a masked version only of the SSN in tabular form to all users and in the detail level to personnel without a specific need.