

STATE OF OHIO
OFFICE OF THE INSPECTOR GENERAL

RANDALL J. MEYER, INSPECTOR GENERAL

REPORTS OF
INVESTIGATION



COMPLIANCE REVIEW

**OBWC Occupational Safety and Health
Research Grant**

ENTITIES:

OHIO BUREAU OF WORKERS' COMPENSATION
OHIO UNIVERSITY

FILE ID NO.: 2018-CA00008
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The Office of the Ohio Inspector General ... The State Watchdog

"Safeguarding integrity in state government"

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The Ohio General Assembly enacted Ohio Revised Code §121.52, effective September 10, 2007, which created the deputy inspector general for the Ohio Bureau of Workers' Compensation (OBWC) and the Industrial Commission of Ohio (ICO). This statute requires a deputy inspector general be designated who "... shall investigate wrongful acts or omissions that have been committed by or are being committed by officers or employees ..." of both OBWC and the ICO, and provides the deputy inspector general the same powers and duties as specified in Ohio Revised Code §§ 121.42, 121.43, and 121.45 for matters involving the OBWC and ICO.

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OFFICE OF THE OHIO INSPECTOR GENERAL EXECUTIVE SUMMARY

SCOPE OF REVIEW

On February 5, 2018, the Office of the Ohio Inspector General initiated an investigation to determine whether Ohio University (OU) spent research grant money awarded by the Ohio Bureau of Workers' Compensation (OBWC) Division of Safety and Hygiene in accordance with the provisions specified in the grant agreement and grant proposal guidelines. The investigation also examined the level of oversight exercised by OBWC when awarding and monitoring grants. This report is the first in a series of several universities who received research grants from OBWC.

FINDINGS

The Office of the Ohio Inspector General found OU provided all required deliverables and spent research grant funds in accordance with the provisions specified in the grant agreement and grant proposal guidelines.

The Office of the Ohio Inspector General found OBWC followed processes to monitor the performance of the research conducted. However, investigators found OBWC did not implement financial policies and procedures to monitor the awarding and spending of research grant funds. Additionally, investigators found OBWC failed to comply with certain terms and conditions of the research grant agreement by creating and submitting invoices on behalf of OU contrary to the requirements of the research grant agreement.

RECOMMENDATIONS

The Office of the Ohio Inspector General is making 11 recommendations to the administrator of the Ohio Bureau of Workers' Compensation in an effort to strengthen the agencies' internal control systems related to the awarding of research grants. The Office of the Ohio Inspector General requests a response within 60 days with a plan detailing how these recommendations will be implemented.

TABLE OF CONTENTS

Entities Under Review	1
Background	2
Objective, Scope of Review & Methodology	2
Findings.....	3
Referrals	10
Appendix	
Exhibit 1	
Exhibit 2	

ENTITIES UNDER REVIEW

Ohio Bureau of Workers' Compensation

The Ohio Bureau of Workers' Compensation (OBWC) is responsible for providing workers' compensation benefits to public and private employees who are unable to work due to a work-related injury. In Ohio, all companies or employers with employees must have coverage from either state funds or be self-insured. For those companies or employers with no employees who meet specific requirements, Ohio law makes workers' compensation coverage elective. The agency also operates workplace safety consulting services, safety and hygiene training, and other programs for Ohio employers to support them in providing safe and healthy workplaces. It is the largest state-funded insurance system in the nation.¹

Ohio Occupational Safety and Health Research Grants

The Ohio Occupational Safety and Health Research Grants Program is administered by OBWC. The program is a competitive research program with an emphasis on maximizing the impact of research efforts in the areas of occupational safety and health on the overall safety, health, productivity and competitiveness of Ohio's workforce. The program, with minor modifications, is modeled after and similar to the National Institute for Occupational Safety and Health's (NIOSH) National Occupational Research Agenda (NORA).

Ohio University

Ohio University was established as a public institution on February 18, 1804, in accordance with Ohio Revised Code (ORC) Chapter 3337. The governor of the state of Ohio appoints the board of trustees which consists of nine trustees and two student trustees. The Ohio University board appoints two national members to serve staggered board terms. The last member of the Ohio University Board is the chair of the Ohio University Alumni Association board. The student trustees, national trustees and the chair of the Ohio University Alumni Association board do not have the ability to vote on board matters. However, the voting trustees can solicit and welcomes the opinions and advise of non-voting board members. The Ohio board appoints a president who serves as the university's chief administrative officer.²

¹ Source: Biennial budget documents.

² https://www.ohioauditor.gov/auditsearch/Reports/2017/Ohio_University_16-Athens.pdf

BACKGROUND

At the August 21, 2014, Ohio Bureau of Workers' Compensation (OBWC) Board of Directors Audit Committee meeting, OBWC management announced a new initiative "to fund advanced research in workplace safety and health through higher-education and research organizations." The research grants totaling \$2 million, using OBWC Division of Safety and Hygiene funds, would be awarded in collaboration with the Ohio Department of Higher Education. Each research grant would not exceed \$250,000 and would have a maximum project length of 12 to 24 months. OBWC awarded the initial research grants in March of 2015 and has continued to award additional grants each fiscal year, including the following research grant awarded to Ohio University (OU):

Research Title	Award Amount	Grant Period
Measuring the Impact of Integrating Safety and Ergonomics with Lean and Six Sigma Processes Across Different-Size Manufacturing Companies in Ohio	\$244,981	June 1, 2015 – May 31, 2017

The Office of the Ohio Inspector General launched an initiative to review how Safety and Hygiene Grant funds were being spent by universities based on issues noted in other investigations, along with the fact that this is an area not routinely audited by OBWC. In addition, the initiative examined the level of oversight exercised by OBWC when awarding and monitoring grants.

OBJECTIVE, SCOPE OF REVIEW & METHODOLOGY

The investigation's primary objective was to determine whether OU spent research grant money awarded by the Ohio Bureau of Workers' Compensation Division of Safety and Hygiene in accordance with the provisions specified in the grant agreement, grant proposal guidelines, and OU grant proposal budget. The investigation's secondary objective was to determine the level of oversight exercised by OBWC when awarding and monitoring research grants.

The investigation's review included:

1. Determining whether OU expended grant funds in accordance with the expense categories provided in their research grant budget;
2. Determining whether OU grant expenditures were supported by invoices, payroll records, and were for expenditures related to the research conducted;
3. Determining whether OU provided all required research deliverables to OBWC;
4. Determining procedures used by OBWC to monitor the research progress and ensure on-time completion;
5. Determining the financial reporting requirements and financial monitoring provided by OBWC to monitor spending of research grant funds.

The Office of the Ohio Inspector General examined OBWC and OU records and emails and conducted an interview with the former superintendent of OBWC Division of Safety and Hygiene.

FINDINGS

The Office of the Ohio Inspector General found OU provided all required deliverables and spent research grant funds in accordance with the provisions specified in the grant agreement and grant proposal guidelines.

The Office of the Ohio Inspector General found OBWC followed processes to monitor the performance of the research conducted. However, investigators found OBWC did not implement financial policies and procedures to monitor the awarding and spending of research grant funds. Additionally, investigators found OBWC failed to comply with certain terms and conditions of the research grant agreement by creating and submitting invoices on behalf of OU contrary to the requirements of the research grant agreement. The specifics of these findings are discussed in the following paragraphs.

FINDING 1 – Ohio University Compliance with Research Requirements

The agreement for the research grant contained a list of deliverables that was included as an attachment to the signed agreement. The list required OU to submit, complete, or develop the following:

- Six quarterly progress reports;
- Interim progress report at mid-point of project duration;
- Final project report on the last day of project duration;
- The dissemination of research project results through conference presentations, journal publication, and results posted to OU website;
- The development of a series of training modules on integrating safety with process improvement metrics for manufacturing companies of different sizes.

Investigators reviewed the submission dates of the required quarterly, interim, and final reports and determined all reports were submitted on or before the due date except for the fifth quarterly report. This report was submitted a week after the required due date.

Investigators reviewed the OU website and found the research results and training modules were published online.³ In addition, the results were also presented at the 2017 OBWC Safety Congress & Expo held March 8-10, and at the 2017 Institute of Industrial & Systems Engineers held May 20-23.

Investigators reviewed the proposal requirements for the research grant, specifically the Budget, Personnel Plan and Project Timeline Section, and noted the requirements that must be included in the budget justifying the expenditures of funds for certain categories. The budget requirements included:

- **Personnel:** The budget should include a list of the project team members, the role of each member, with percent of full-time equivalent dedicated to the project for each team member within the project duration.

³ www.ohio.edu/engineering/safety-training/

- **Equipment:** The budget section should list each type of equipment to be purchased, including hardware and software. A justification narrative will need to be provided to justify the need to purchase the equipment.
- **Travel:** The budget section should include the purpose and cost for travel to be undertaken by members of the project team. A justification narrative will need to be provided to justify the purpose and cost for travel.
- **Total Additional Costs:** Must be itemized and listed in a separate/supplemental table with justification.
- **Indirect Costs:** Must not exceed 18% of the total project costs.

Investigators reviewed supporting documentation provided by OU to determine whether the expenditures were in accordance with the research grant proposal guidelines listed above and in accordance with the expenditures in their approved budget. Investigators determined OU expended research grant funds in accordance with these requirements and no exceptions were noted.

FINDING 2 – OBWC Lack of Financial Monitoring

The Office of the Ohio Inspector General determined OBWC did not require grant recipients to submit quarterly or final financial reports detailing how grant funds were expended.

Additionally, OBWC did not perform periodic reviews to monitor and ensure the grant expenditures were in accordance with the grant agreement ([Exhibit 1](#)) requirements and consistent with the expenditures in the approved budget.

FINDING 2 RECOMMENDATIONS

OBWC

1. Consider amending current and future grant agreements to incorporate a requirement that grant recipients are required to provide OBWC with periodic fiscal reports and a final expenditure report documenting how funds were expended.

2. Consider upon receipt of the final expenditure report, reconciling the total payments issued with the amount spent for research to ensure all funds were either spent for research or returned to OBWC.
3. Consider conducting periodic desk or on-site reviews to evaluate the documentation maintained to support the expenditures of grant funds.
4. Consider disseminating noncompliance issues or unallowable costs identified during desk or on-site reviews to all grant recipients to minimize the likelihood of similar issues occurring with other grantees.

FINDING 3 – Payment Process

The grant agreement between OBWC and OU stated payments would be issued at three performance milestones specified in the grant agreement; 40% of the project budget at commencement of the project, 30% at midpoint of the dates of service, and 30% upon acceptance by OBWC of the deliverables. Additionally, Section 2 of the research grant agreement stated: “the bureau shall use its best efforts to pay the vendor within thirty (30) days upon receipt of *vendor’s properly submitted invoice* [emphasis added].”

Investigators found OBWC prepared invoices on behalf of OU based on a template that was created to be used for all universities involved in the Occupational Safety and Health Research Grant Program, contrary to the requirements listed in section 2 of the research grant agreement.

As a result of OBWC creating invoices on behalf of OU, the wrong address was listed on the second invoice created by OBWC, and in turn the second payment was sent to the wrong location, resulting in OU having to track down the payment weeks after the payment was issued.

Additionally, at the completion of the research project, OU emailed OBWC regarding the final payment of 30 percent of the project budget because the actual expenses incurred were less than the approved budget⁴, as shown in the chart below:

	Budget	Actual Expenditures	Over(+) / Under(-) Budget
Salaries	\$144,026.00	\$129,865.85	-\$14,160.15
Fringe Benefits	\$18,251.00	\$15,966.24	-\$2,284.76
Supplies	\$9,000.00	\$5,519.95	-\$3,480.05
Postage	\$1,000.00	\$223.22	-\$776.78
Travel	\$35,334.00	\$12,307.57	-\$23,026.43
Indirect Costs	\$37,370.00	\$29,498.79	-\$7,871.21
Total	<u>\$244,981.00</u>	<u>\$193,381.62</u>	<u>-\$51,599.38</u>

Had OU not inquired about the final payment and the payment was issued according to the requirements of the grant agreement and the invoice prepared by OBWC, it would have been issued for the remaining 30 percent of the budget, resulting in an overpayment to OU.

Investigators verified the final payment issued to OU was issued for the amount expended to conduct research and not the remaining 30 percent of the project budget.

Accordingly, the Office of the Ohio Inspector General finds reasonable cause to believe that a wrongful act or omission occurred in this instance.

FINDING 3 RECOMMENDATIONS

OBWC

1. Instead of the current payment system, consider the benefits of revising future grant agreements to issue a payment at the start of the grant agreement for a predetermined percentage and then require the grant recipients to submit financial activity reports to receive reimbursement of expenses incurred while conducting the research.

⁴ The original budget was amended in September 2016 and added new cost categories not listed in the approved agreement, but the total budget did not change.

2. Require all grant recipients to create and submit their own invoices when they have met the grant conditions to receive payment.
3. Consider the benefits of issuing payments using electronic funds transfer to ensure payments are sent to the correct location.

FINDING 4 – OBWC Monitoring of Research Progress

The Office of the Ohio Inspector General found OBWC implemented several processes to monitor the progress of the research project, including:

- Requiring OU to submit quarterly and interim progress reports describing the work completed, timeliness of the project in terms of completed tasks up to date and the percent of progress toward the completion of the research project. The reports also addressed the challenges and obstacles to the project and strategies for addressing these challenges and obstacles;
- A site visit to OU conducted by OBWC technical advisors to learn about the research project;
- Conference calls discussing the research progress with OBWC Director of Safety and Hygiene and OBWC technical advisors;
- OBWC technical advisors reviewed the final report to ensure final report addressed all specific research goals outlined in the research proposal. If all goals were not achieved, OBWC worked with researchers to attempt to complete project.

Investigators confirmed OBWC tracked and ensured the required quarterly, interim, and final reports were submitted by OU by the specified deadlines. If the reports were not submitted timely, OBWC followed up until the reports were received. Emails obtained supported the final report was reviewed for approval to ensure the research accomplished the goals outlined in the research proposal.

FINDING 4 RECOMMENDATIONS

OBWC

1. Consider the benefits of expanding progress monitoring to include conducting periodic evaluations of the grant program to determine whether the grant awards, grant amounts, and requirements are achieving the objectives of the research program.
2. Consider the benefits of implementing a process documenting the steps to be taken if it is found that the research project is not on track to be completed. (e.g., increased progress reporting, additional site visits, conference calls)

FINDING 5 – Lack of OBWC Grant Procedures Concerning Key Grant Processes

Investigators reviewed the OBWC grant proposal guidelines ([Exhibit 2](#)) and determined that the OBWC Occupational Safety and Health Research Program is modeled after and similar, with minor modifications, to the National Institute for Occupational Safety and Health's (NIOSH) National Occupational Research Agenda (NORA).

Investigators reviewed a Centers for Disease Control and Prevention (CDC) research project grant funding opportunity announcement administered by NIOSH for Occupational Safety and Health Research. This grant opportunity had the same research focus area as the program administered by OBWC. As stated in the funding opportunity announcement,⁵ all CDC/NIOSH awards are subject to the terms and conditions, cost principles, and other considerations described in the Health and Human Services (HHS) Grants Policy Statement.⁶ Investigators reviewed the HHS Grants Policy Statement to determine the oversight reporting requirements for project performance and financial monitoring required of those receiving research grant funds from NIOSH.

The Office of the Ohio Inspector General determined, through review of emails and documents provided, that OBWC lacked standard procedures for managing several key grant processes. These processes included:

⁵ https://grants.nih.gov/grants/guide/pa-files/PAR-18-769.html#_Section_II._Award_1

⁶ <https://www.hhs.gov/sites/default/files/grants/grants/policies-regulations/hhsgps107.pdf>

- Project closeout and the steps taken to ensure funds were spent on research or returned to OBWC;
- Records maintenance and storage of documents associated with research projects;
- Debt collection and what actions will be taken should the research project not be completed, or unallowable costs are funded with grant monies;
- Subcontractors and what subcontractor expenses are unallowable;
- Payroll time and effort for researchers working on multiple grant-funded projects;
- Level of detail for supporting documentation required to be maintained to support grant expenditures;
- Indirect cost rates and the proper calculation of the indirect costs charged to a project;
- Ownership of equipment purchased with grant funds.

FINDING 5 RECOMMENDATIONS

OBWC

1. Consider the benefits of developing a research program grants manual which provides grant recipients' employees and OBWC employees involved in the research grants with detailed explanations of specific grant requirements related to key processes.

2. Consider developing and implementing a records management system or process to store records received from, correspondence with, approvals given, and payments issued for each grant recipient so that these records are all stored in the same place and can be easily located.

REFERRALS

This report of investigation will be provided to the Ohio Auditor of State's Office for consideration during a review of each agency's internal control system in subsequent audits.



STATE OF OHIO
OFFICE OF THE INSPECTOR GENERAL

RANDALL J. MEYER, INSPECTOR GENERAL

**NAME OF REPORT: Ohio Bureau of Workers' Compensation,
Ohio University**

FILE ID #: 2018-CA00008

KEEPER OF RECORDS CERTIFICATION

This is a true and correct copy of the report which is required to be prepared by the Office of the Ohio Inspector General pursuant to Section 121.42 of the Ohio Revised Code.

**Jill Jones
KEEPER OF RECORDS**

**CERTIFIED
October 1, 2019**

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