

## **LBA Financial Audit Report Summary:**

### **Department Of Labor Audit Report For The Nine Months Ended March 31, 2000**

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The reporting entity of this audit and audit report is the New Hampshire Department of Labor. The Department is under the executive direction of a commissioner. The commissioner, with the assistance of a deputy commissioner, oversees the Workers' Compensation, Inspection, and Administration and Support Divisions. At March 31, 2000, the Department was staffed with 122 employees, consisting of 85 full-time and 37 part-time employees.

The Department is also associated with six boards and councils. The largest board, consisting of 33 members, is the Compensation Appeals Board. Pursuant to RSA 281-A:42-a, the Compensation Appeals Board conducts fair and impartial appeal hearings, separate from the decisions issued by hearing officers at the Department level.

Within the Department, the Workers' Compensation Division is responsible for the administration of the State's workers' compensation law (RSA 281-A). This includes the processing of workers' compensation claims, hearing and deciding on disputed cases, monitoring of employers' insurance coverage, etc. The Inspection Division administers and enforces the protective legislation, citizens job protection, youth employment, minimum wage, boiler and pressure vessel, and elevator and accessibility lift laws, as well as the whistleblowers' protection act.

The Department also administers two State trust funds: the Special Fund for Active Cases established by RSA 281-A:30 and the Special Fund for Second Injuries established by RSA 281-A:55. Revenues for these trust funds are provided by assessments paid by insurance companies and self-insurers and are based on payments made for workers' compensation claims. Expenditures from the funds reimburse insurance companies for certain eligible payments made to claimants. The balances of the Second Injuries and Active Cases trust funds at March 31, 2000 were \$4,366,044 and \$55,450, respectively.

The Department is funded primarily by appropriations in the State's General Fund. The cost of administering the workers' compensation statute is recovered by an administrative assessment, levied on each insurance carrier and self-insurer who has paid workers' compensation benefits in the state. The following table summarizes the financial activity of the Department for the nine months ended March 31, 2000.

Summary Of Revenues And Expenditures  
Nine Months Ended March 31, 1999

	<u>General Fund</u>
Total Revenues	\$ 262,213
Total Expenditures	\$ 563,104
Excess (Deficiency) Of Revenues Over (Under) Expenditures	\$ (300,891)

The audit report included auditor's reports on compliance and on internal control over financial reporting and on management issues. The following is a list of the comments in the report.

**Internal Control Comment**

*Reportable Condition*

- Control Procedures Over Revenue Processing Need Strengthening

**Compliance Comments**

*State Compliance*

- Filings Of Statements Of Financial Interests Need To Be Monitored
- Hourly Rate Paid To Compensation Appeals Board Members Not Specified In Statute

*Federal Compliance*

- Mine Safety And Health Administration Grant Expenditures Not In Accordance With Federal Guidelines
- Personal Use Mileage Needs To Be Reported

**Management Issues Comment**

- Future Computer System Costs Should Be Allocated Between Workers' Compensation And Inspection Divisions

The auditor's report on the Department of Labor's financial statements was qualified due to the lack of presentation of the financial position of the Department in the General and Special Funds.

**We recommended that:**

- Revenue collections duties be adequately segregated and monthly reconciliations of receipts be performed.
- A policy should be established to notify board members of the filing requirements under RSA 21-G:5-a. Board members who do not comply should be prohibited from continuing board duties.
- The Department should seek guidance from the Attorney General's Office to determine appropriateness of paying an hourly rate to Compensation Appeals Board members.
- The Department should establish a system to ensure compliance with federal grant requirements including charging expenditures in accordance with approved budget and ensuring state match requirements are met.
- The Department should implement procedures to comply with IRS regulations and report daily vehicle usage.
- Future computer system upgrades and maintenance costs should be appropriately allocated to both the Workers' Compensation and Inspection Divisions.