

**STATEWIDE AUDIT
DEPARTMENT OF LABOR AND INDUSTRY
MANAGEMENT LETTER
YEAR ENDED JUNE 30, 1985**

JANUARY 1986



STATE OF MINNESOTA

OFFICE OF THE LEGISLATIVE AUDITOR

VETERANS SERVICE BUILDING, ST. PAUL, MN 55155 • 612/296-4708

JAMES R. NOBLES, LEGISLATIVE AUDITOR

Mr. Stephen Keefe, Commissioner
Department of Labor and Industry
5th Floor Space Center Building
444 Lafayette Road
St. Paul, Minnesota 55101

Dear Commissioner Keefe:

We have reviewed certain accounting procedures and controls for your department as part of our statewide audit of the State of Minnesota's fiscal year 1985 financial statements and federal programs. The scope of our work has been limited to:

- those aspects of your department which have material impact on any of the state's various funds and account groups shown on the financial statements; and
- the status of prior audit recommendations including those for the Occupational Safety and Health Program (CFDA #17.500).

We emphasize that this has not been a complete financial and compliance audit of all programs within your department. The work conducted in your department is a part of our annual Statewide Financial and Federal Compliance Audit (Single Audit). The Single Audit coverage satisfies the federal government's financial and compliance audit requirements for all federal programs administered by your department in fiscal year 1985. Since the federal government is ultimately responsible for determining resolution of Single Audit recommendations, they will notify you of their final acceptance of your corrective actions.

In prior years' management letters, we discussed the financial condition of the Special Compensation Fund. We believe that the department has fulfilled its responsibilities in monitoring the condition of the fund and advising the Legislature of the necessary fiscal amendments to state regulations. We will continue to review the financial activities of the fund during our annual statewide financial audit; however, this issue is not addressed in the current management letter.

The prior audit recommendation included in this letter is presented to assist you in improving accounting procedures and controls. Progress on implementing this recommendation will be reviewed during our audit next year. Attached to your management letter is a summary of the progress on all prior audit recommendations developed during our 1984 statewide audit.

PRIOR AUDIT RECOMMENDATION NOT IMPLEMENTED: The State Employees Revolving Fund is not reimbursed by state departments as provided for in Minn. Stat. 176.611.

Minn. Stat. 176.611 recognizes three types of state departments for the purpose of reimbursing the State Employees Revolving Fund (SERF) for workers compensation benefits paid to injured state employees. Self-sustaining departments are to reimburse the fund at the end of each fiscal year. Departments that are not self-sustaining are to reimburse the SERF at the end of each biennium. A partially self-sustaining department is to pay a portion of the amount owed at the end of the fiscal year and the balance at the end of the biennium.

Currently, the Department of Labor and Industry bills state departments monthly for the workers' compensation payments made to their employees by the SERF for the preceding month. Departments then submit their payments by the end of each month. This procedure is in conflict with Minn. Stat. 176.611. Departments could refuse to reimburse the SERF monthly and instead pay at the end of the fiscal year or biennium. This would cause a severe cash flow problem for the SERF and result in further delays in workers' compensation payments to injured state employees. The individual responsible for this recommendation stated that this was overlooked in the 1985 session, but will be included in the legislation submitted during the 1986 legislative session.

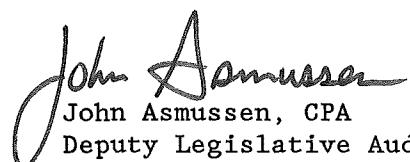
RECOMMENDATION:

1. Minn. Stat. 176.611 should be revised to provide for the current procedure of monthly payments to the SERF by state departments.

Thank you for the cooperation extended our staff during this audit.

Sincerely,


James R. Nobles
Legislative Auditor


John Asmussen
John Asmussen, CPA
Deputy Legislative Auditor

Attachment

December 17, 1985

DEPARTMENT OF LABOR AND INDUSTRY

Attachment

STATUS OF PRIOR AUDIT RECOMMENDATIONS
AND

PROGRESS TOWARD IMPLEMENTATION

All documentation relating to a workers' compensation claim should be retained in the claim file.

1. All necessary supporting documents for a workers compensation claim should be retained in the workers compensation claim file for the injured employee.
2. Medical invoices should be paid within twenty-one days of receipt, otherwise the reason for the payment being made late should be noted on the invoice and included in the file.

Recommendation Implemented.

The State Employees Revolving Fund claims section does not adequately monitor the supplementary benefit reimbursement claims submitted to the Special Compensation Fund.

3. A ledger system should be established and maintained in the claims section of the SERF to record all supplementary benefit claims submitted to the SCF and the date each claim was paid.

Recommendation Implemented.

The State Employees Revolving Fund is not reimbursed by state departments as provided for in Minn. Stat. 176.611.

4. Minn. Stat. 176.611 should be revised to provide for the current procedure of monthly payments to the SERF by state departments.

RECOMMENDATION NOT IMPLEMENTED. See current recommendation #1.

The duties of receiving the checks and preparing the deposits for the Special Compensation Fund need to be segregated.

5. The duties of receiving and depositing the receipts of the Special Compensation Fund should be segregated.
6. The receipt records of the SCF should be periodically reconciled to Statewide Accounting System by an individual independent of the receiving and depositing functions.

Recommendation Implemented.

DEPARTMENT OF LABOR AND INDUSTRY

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The Department of Labor and Industry is not managing their federal cash withdrawals from the U.S. Treasury for the Occupational Safety and Health Program (CFDA #17.500) in accordance with federal guidelines.

7. The Department of Labor and Industry's cash management procedures should be reviewed and modified to insure compliance with Treasury Circular 1075, including:

- federal cash drawdowns should be made for actual, immediate cash needs;
- federal drawdown requests be completed with actual accurate information; and
- federal cash drawdowns be made as close to the disbursement date as is possible.

Recommendation Implemented. As of April 1, 1985, The Department of Labor and Industry instituted revised federal cash drawdown procedures. The new procedures allow for drawdowns every two weeks and provide for a more accurate estimation of immediate cash needs. This recommendation has not received final acceptance by the Occupational Safety and Health Administration.

A physical inventory of both state and federally procured property has not been taken by the Department of Labor and Industry for the last four to five years.

8. The Department of Labor and Industry should periodically complete a physical inspection of both state and federally procured fixed assets. A physical inventory should be taken at least once every two years and the results of this physical inspection should be reconciled with the fixed assets inventory records.

Recommendation Implemented. The department completed a physical inventory on December 10, 1985 and is currently in the process of reconciling the inventory results to the Statewide Fixed Assets Inventory System. This recommendation has not received final acceptance by the Occupational Safety and Health Administration.