

**WORKERS' COMPENSATION COURT OF APPEALS
FINANCIAL AUDIT
FOR THE THREE YEARS ENDED JUNE 30, 1989**

JULY 1990

**Financial Audit Division
Office of the Legislative Auditor
State of Minnesota**

90-38

WORKERS' COMPENSATION COURT OF APPEALS

FINANCIAL AUDIT FOR THE THREE YEARS ENDED JUNE 30, 1989

Public Release Date: July 13, 1990

No. 90-38

OBJECTIVES:

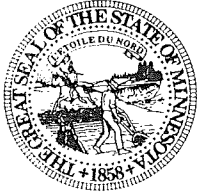
- EVALUATE INTERNAL CONTROL STRUCTURE: Payroll and administrative disbursements.
- TEST COMPLIANCE WITH CERTAIN FINANCE-RELATED LEGAL PROVISIONS.

CONCLUSIONS:

We found the internal control structure to be effective.

We found no departures from finance-related legal provisions.

Contact the Financial Audit Division for additional information.
(612) 296-1730



STATE OF MINNESOTA

OFFICE OF THE LEGISLATIVE AUDITOR

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JAMES R. NOBLES, LEGISLATIVE AUDITOR

Senator John E. Brandl, Chairman
Legislative Audit Commission

Members of the Legislative Audit Commission

Paul V. Rieke, Chief Judge
Workers' Compensation Court of Appeals

Audit Scope

We have conducted a financial related audit of Workers' Compensation Court of Appeals as of and for the three years ended, June 30, 1989. Our audit was limited to only that portion of the State of Minnesota financial activities attributable to the transactions of Workers' Compensation Court of Appeals. We have also made a study and evaluation of the internal control structure of Workers' Compensation Court of Appeals in effect at April 1990.

The Legislature established the Workers' Compensation Court of Appeals to decide all questions of law and fact in workers' compensation appeals. The court consists of five judges appointed by the governor and confirmed by the state senate. It reviews the decisions of the Workers' Compensation Division of the Department of Labor and Industry, the Office of Administrative Hearings, Medical Services Review Board, and the Rehabilitation Review Panel. Decisions of this court are appealable directly to the supreme court. General Fund appropriations finance the activities of the court. As recorded in the statewide accounting system, cash basis expenditures for the court were \$810,168 for fiscal year 1989, \$713,876 for fiscal year 1988, and \$518,871 for fiscal year 1987.

We conducted our audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial activities attributable to the transaction of Workers' Compensation Court of Appeals are free of material misstatements.

As part of our study and evaluation of the internal control structure, we performed tests of Workers' Compensation Court of Appeals compliance with certain provisions of laws, regulations, contracts, and grants. However, our objective was not to provide an opinion on overall compliance with such provisions.

Management Responsibilities

The management of Workers' Compensation Court of Appeals is responsible for establishing and maintaining an internal control structure. This responsibility includes compliance with applicable laws, regulations, contracts, and grants. In fulfilling this responsibility, estimates and

judgements by management are required to assess the expected benefits and related costs of internal control structure policies and procedures. The objectives of an internal control structure are to provide management with reasonable, but not absolute, assurance that:

- assets are safeguarded against loss from unauthorized use or disposition;
- transactions are executed in accordance with applicable legal and regulatory provisions, as well as management's authorization; and
- transactions are recorded properly on the statewide accounting system in accordance with Department of Finance policies and procedures.

Because of inherent limitations in any internal control structure, errors or irregularities may nevertheless occur and not be detected. Also, projection on any evaluation of the structure to future periods is subject to the risk that procedures may become inadequate because of changes in conditions or that the effectiveness of the design and operation of policies and procedures may deteriorate.

Internal Control Structure

For purposes of this report, we have classified the significant internal control structure policies and procedures in the following categories:

- payroll; and
- administrative disbursements.

For all of the internal control structure categories listed above, we obtained an understanding of the design of relevant policies and procedures and whether they have been placed in operation, and we assessed control risk.

Conclusions

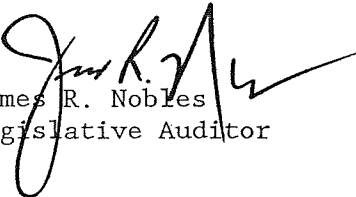
In our opinion, the internal control structure of Workers' Compensation Court of Appeals in effect at April 1990, taken as a whole, was sufficient to meet the objectives stated above insofar as those objectives pertain to the prevention or detection of errors or irregularities in amounts that would be material in relation to the financial activities attributable to transactions of Workers' Compensation Court of Appeals.

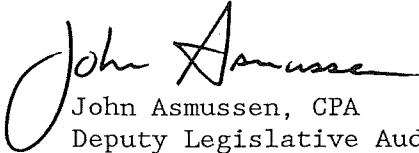
The results of our tests indicate that, with respect to the items tested, Workers' Compensation Court of Appeals complied, in all material respects, with the provisions referred to in the audit scope paragraphs. With respect to items not tested, nothing came to our attention that caused us to believe that Workers' Compensation Court of Appeals had not complied, in all material respects, with those provisions.

Senator John E. Brandl, Chairman
Members of the Legislative Audit Commission
Paul V. Rieke, Chief Judge
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This report is intended for the information of the Legislative Audit Commission and management of Workers' Compensation Court of Appeals. This restriction is not intended to limit the distribution of this report, which was released as a public document on July 13, 1990.

We would like to thank the Workers' Compensation Court of Appeals staff for their cooperation during this audit.


James R. Nobles
Legislative Auditor


John Asmussen, CPA
Deputy Legislative Auditor

END OF FIELDWORK: May 31, 1990

REPORT SIGNED ON: July 9, 1990