

WORKERS' COMPENSATION COURT OF APPEALS

FINANCIAL AUDIT

FOR THE THREE YEARS ENDED JUNE 30, 1992

JULY 1993

Financial Audit Division
Office of the Legislative Auditor
State of Minnesota

93-39

WORKERS' COMPENSATION COURT OF APPEALS

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No. 93-39

OBJECTIVES:

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

CONCLUSIONS:

We found the internal control structure to be effective.

We found one departure from finance-related legal provisions:

- Judges were not assessed parking fees pursuant to Minn. Stat. Section 16B.58, Subd. 8 during the audit period.

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

FINANCIAL AUDIT DIVISION



STATE OF MINNESOTA

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JAMES R. NOBLES, LEGISLATIVE AUDITOR

Senator Phil Riveness, Chair
Legislative Audit Commission

Members of the Legislative Audit Commission

Mr. Steven D. Wheeler, Chief Judge
Workers' Compensation Court of Appeals

Audit Scope

We have conducted a financial related audit of the Workers' Compensation Court of Appeals as of and for the three years ended June 30, 1992. We have also made a study and evaluation of the internal control structure of the Workers' Compensation Court of Appeals in effect at January 1993.

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 transactions of the Workers' Compensation Court of Appeals are free of material misstatements.

We performed tests of the Workers' Compensation Court of Appeals's transactions to obtain reasonable assurance that the court had, in all material respects, administered its operations in compliance with applicable laws and regulations. However, our objective was not to provide an opinion on overall compliance with such provisions.

Management Responsibilities

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

For 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. To achieve this objective, we reviewed selected financial policies and practices in effect during the audit period and as of January 1993.

Instance of Legal Noncompliance

During the audit period, the Court did not charge its judges for parking fees, as required by Minn. Stat. Section 16B.58, Subd. 8. As a nonseparable part of its office lease, the Court received free access to several parking stalls. The statute, however, stipulates that

...the commissioner [of Administration] shall charge state employees for parking facilities which are used by them and furnished for their use pursuant to any lease...

Upon learning of the requirement of Minn. Stat. Section 16B.58, in September, 1992, the Court contacted the Department of Administration and established the appropriate parking deductions for its judges. Currently, the Department of Administration is developing a statewide parking policy which would address situations where parking is included as part of a lease agreement.

Conclusions


In our opinion, the internal control structure of the Workers' Compensation Court of Appeals in effect at January 1993, 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 to the financial activities attributable to transactions of the Workers' Compensation Court of Appeals.

Senator Phil Riveness, Chair
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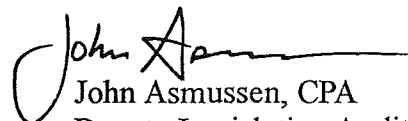
The results of our tests indicate that, except for the item discussed in the Instance of Legal Noncompliance paragraph above, the Workers' Compensation Court of Appeals complied, in all material respects, with the provisions referred to in the audit scope paragraphs. With respect to items not tested, nothing came to our attention that caused us to believe that the Workers' Compensation Court of Appeals had not complied, in all material respects, with those provisions.

This report is intended for the information of the Legislative Audit Commission and management of the 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 16, 1993.

We 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: April 14, 1993

Report Signed On: July 12, 1993

Workers' Compensation Court of Appeals

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Audit Participation

The following members of the Office of the Legislative Auditor prepared this report:

John Asmussen, CPA	Deputy Legislative Auditor
Tom Donahue, CPA	Audit Manager
Janet Knox, CPA	Auditor-in-Charge

Workers' Compensation Court of Appeals

Background Information

The Workers' Compensation Court of Appeals was established by the legislature as the exclusive statewide authority to decide all questions of law and fact in workers' compensation disputes within the court's appellate jurisdiction as provided in Minn. Statutes Chapters 175A and 176. The court consists of five judges appointed by the Governor and confirmed by the state Senate. The Governor designates a chief judge from among the judges. The chief judge has overall responsibility for administration of the court. Judge Steven D. Wheeler was appointed chief judge beginning January 4, 1993.

The operations of the Workers' Compensation Court of Appeals are financed out of the Special Workers' Compensation Fund. The following schedule shows expenditures of the court for fiscal years 1990, 1991, and 1992.

	Year Ended June 30		
	<u>1990</u>	<u>1991</u>	<u>1992</u>
Expenditures:			
Payroll	\$825,781	\$ 944,923	\$ 981,742
Leases	94,064	98,366	98,250
Other	<u>153,756</u>	<u>43,458</u>	<u>79,436</u>
Total Expenditures	<u>\$1,073,601</u>	<u>\$1,086,747</u>	<u>\$1,159,428</u>

Source: Statewide Accounting System Managers Financial Reports for fiscal years 1990, 1991, and 1992.