

# **LBA Financial Audit Report Summary:**

**New Hampshire Department of Labor, Financial Audit Report for the Fiscal Year Ended June 30, 2010**

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## **Reporting Entity And Scope**

The reporting entity of this audit and audit report is the New Hampshire Department of Labor. The scope of this audit and audit report includes the financial activity of the Department of Labor for the fiscal year ended June 30, 2010. Unless otherwise indicated, reference to the Department or auditee refers to the Department of Labor.

## **Organization**

The Department of Labor is under the executive direction of a Commissioner who is appointed by the Governor, with the advice and consent of the Council, to a three year term. Assisting, and appointed by the Commissioner, is a Deputy Commissioner who is an unclassified State employee. The Commissioner, Deputy Commissioner, Director of Workers' Compensation, and Wage and Hour Administrator oversee the three divisions of the Department: Workers' Compensation, Inspection, and Administration and Support. Chapter 198, Laws of 1911, is the source of the Department's current enabling legislation, Chapter 273 of the Revised Statutes Annotated.

The Department is 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.

At June 30, 2010, the Department was staffed with 116 employees, consisting of 79 full-time and 37 part-time employees. The Department of Labor is located at 95 Pleasant Street, Concord, New Hampshire.

## **Responsibilities**

The Department of Labor monitors employers and insurance carriers to ensure they are in compliance with New Hampshire labor laws. These laws encompass minimum wage, overtime, safety issues, and workers' compensation.

The Department's Workers' Compensation Division is responsible for the administration of the State's workers' compensation law, RSA 281-A. This includes processing workers' compensation claims, hearing and deciding disputed cases, and monitoring employers' insurance coverage. Other responsibilities include workplace safety, which encompasses safety and health inspections, training, and prevention.

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 Division accomplishes its duties through safety inspectors who routinely perform compliance inspections in both the private and public sectors, and issue boiler and elevator inspector licenses and certificates.

The Department administers three fiduciary 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, are private-purpose trust funds held by the State Treasury. There was only limited activity in the *Special Fund for Active Cases* during fiscal year 2010. Revenues for the *Special Fund for Second Injuries* come from assessments paid by insurance companies and self-insurers based on an appropriated amount. The amount assessed to an insurance carrier or self-insurer is their pro-rata share of 115% of the total obligations of the fund during the preceding twelve months, less the balance in the fund as of March 31, of the current year. Expenditures from the fund reimburse insurance companies and self-insurers for eligible payments made to claimants.

The *Wage Claim Settlements Account* is an agency fund established by the Department during fiscal year 2010 to account for the receipt and disbursement of wages related to the mediation and settlement of wage claims between employers and their employees. Employers remit employee wages to the Department which acts as an agent in disbursing amounts collected directly to the affected employees. Wage claim settlements remitted to the Department are held by the State Treasury until such time as disbursements are made to the affected parties.

## **Funding**

The financial activity of the Department of Labor is accounted for in the governmental and fiduciary funds of the State of New Hampshire. The cost of administering the workers' compensation statute is recovered by an administrative assessment levied on each insurance carrier and self-insurer who paid workers' compensation benefits in the State. The amount assessed to an insurance carrier or self-insurer is their pro-rata share of one fiscal year's cost of administering the workers' compensation statute based on workers' compensation claims paid in the preceding calendar year.

A summary of the Department's revenues and expenditures recorded in the governmental fund for the fiscal year ended June 30, 2010 is shown in the following schedule.

### **Summary Of Revenues And Expenditures - General Fund For The Fiscal Year Ended June 30, 2010**

Total Revenues	\$ 13,430,397
Total Expenditures	<u>9,454,058</u>
<b>Excess (Deficiency) Of Revenues</b>	
<b>Over (Under) Expenditures</b>	<b><u>\$ 3,976,339</u></b>

The auditor's report on the Department of Labor's financial statements was qualified, as the financial statements do not constitute a complete financial presentation of the Department in the General Fund.

The audit report includes the auditor's report on internal control over financial reporting and on compliance and other matters. The following is a list of the comments in the report.

### ***Internal Control Comments***

#### *Material Weaknesses*

- Financial Accounting And Reporting Processes Should Be Strengthened
- Adjustments To Assessed Fines And Penalties Should Be Reviewed

#### *Significant Deficiencies*

- Formal Risk Assessment Process Should Be Established
- Business Continuity Plan Should Be Completed
- Policies And Procedures Manuals Should Be Established
- Policies And Procedures For Handling Wage Claim Settlements Should Be Established
- Controls Over The Special Fund For Second Injury Disbursement Process Should Be Improved
- Department-Wide Costs Should Be Allocated For Accurate Cost Recovery
- Accounts Receivable Should Be Reported
- Unclaimed Wages Should Be Reported And Transferred To The Abandoned Property Program
- Regular Payroll Record Maintenance Should Be Performed

### ***Compliance Comments***

#### *State Compliance*

- Civil Penalties Should Be Assessed In Accordance With Applicable Statute And Administrative Rule
- Costs Recovered Through Administration Fund Assessment Should Be In Compliance With Statute
- Administrative Rules Should Be Adopted