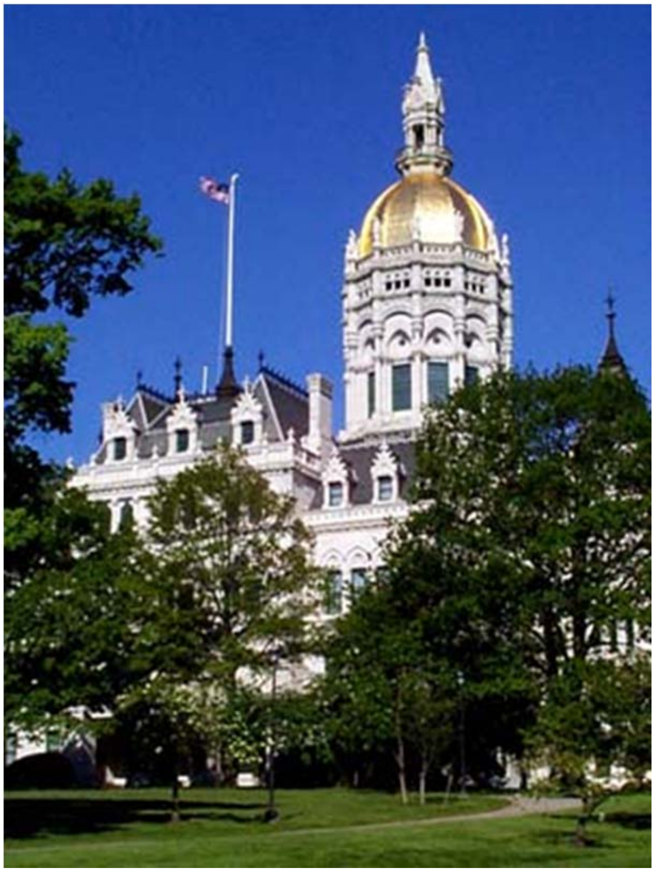
STATE OF CONNECTICUT



AUDITORS' REPORT
WORKERS' COMPENSATION COMMISSION
FOR THE FISCAL YEARS ENDED JUNE 30, 2012 and 2013

AUDITORS OF PUBLIC ACCOUNTS

JOHN C. GERAGOSIAN ❖ ROBERT M. WARD

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STATE OF CONNECTICUT

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September 2, 2014

AUDITORS' REPORT
WORKERS' COMPENSATION COMMISSION
FOR THE FISCAL YEARS ENDED JUNE 30, 2012 and 2013

We have audited certain operations of the Workers' Compensation Commission in fulfillment of our duties under Section 2-90 of the Connecticut General Statutes. The scope of our audit included, but was not necessarily limited to, the years ended June 30, 2012 and 2013. The objectives of our audit were to:

1. Evaluate the department's internal controls over significant management and financial functions;
2. Evaluate the department's compliance with internal policies and procedures or those promulgated by other state agencies, as well as certain legal provisions; and
3. Evaluate the economy and efficiency of certain management practices and operations, including certain financial transactions.

Our methodology included reviewing written policies and procedures, financial records, minutes of meetings, and other pertinent documents; interviewing various personnel of the department; and testing selected transactions. We obtained an understanding of internal controls that we deemed significant within the context of the audit objectives and assessed whether such controls have been properly designed and placed in operation. We tested certain of those controls to obtain evidence regarding the effectiveness of their design and operation. We also obtained an understanding of legal provisions that are significant within the context of the audit objectives, and we assessed the risk that illegal acts, including fraud, and violations of contracts, grant agreements, or other legal provisions could occur. Based on that risk assessment, we designed and performed procedures to provide reasonable assurance of detecting instances of noncompliance significant to those provisions.

We conducted our audit in accordance with the standards applicable to performance audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform our audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides such a basis.

The accompanying Résumé of Operations is presented for informational purposes. This information was obtained from the department's management and was not subjected to the procedures applied to our audit of the department. For the areas audited, we identified:

1. Deficiencies in internal controls;
2. Apparent noncompliance with legal provisions; and
3. No need for improvement in management practices and procedures that we deemed to be reportable.

The State Auditors' Findings and Recommendations in the accompanying report presents any findings arising from our audit of the Workers' Compensation Commission.

COMMENTS

FOREWORD

The Workers' Compensation Commission (WCC) operates generally under the provisions contained in Title 31, Chapter 568 of the General Statutes. The commission is responsible for administering the workers' compensation laws of the State of Connecticut with the ultimate goal of ensuring that workers injured on the job receive prompt payment of lost work time benefits and attendant medical expenses.

Workers' Compensation Commissioners

Section 31-276 of the General Statutes establishes a Workers' Compensation Commission. The commission consists of sixteen workers' compensation commissioners, including one who serves as chairman. Commissioners are nominated by the Governor and appointed by the General Assembly for five-year terms. The Governor selects one of the sixteen commissioners to serve as chairman of the commission at the Governor's pleasure. The chairman shall have previously served as a workers' compensation commissioner in Connecticut for at least one year.

The workers' compensation commissioners, as of June 30, 2013, were as follows:

John A. Mastropietro, Chairman
Scott A. Barton
Randy L. Cohen
Stephen B. Delaney
Daniel E. Dilzer
Christine L. Engel
Jack R. Goldberg
Jodi Murray Gregg
Peter C. Mlynarczyk

Stephen Morelli
Nancy E. Salerno
Charles F. Senich
David W. Schoolcraft
Michelle D. Truglia
Amado J. Vargas
Ernie R. Walker

John A. Mastropietro was appointed as chairman effective October 18, 1999, and currently serves in that capacity. Clifton E. Thompson also served as a commissioner during the audited period.

Organization Structure

The chairman of the commission has responsibility for administering the workers' compensation system and adopting the policies, rules and procedures necessary to implement workers' compensation law. An advisory board, established under the provisions of Section 31-280a, advises the chairman on matters concerning policy for, and operation of, the commission.

The chairman designates workers' compensation districts throughout the state and assigns compensation commissioners to those districts according to claim volume. Commissioners are responsible for holding hearings, mediating and arbitrating disputes and enforcing agreements and awards. Administrative functions of the districts are performed by professional staff assigned to those districts. There are eight districts in addition to the chairman's office.

The Compensation Review Board (CRB) within the commission is authorized by Section 31-280b of the General Statutes. The CRB is responsible for reviewing appeals of decisions made by commissioners. The CRB consists of the chairman of the commission, who serves as chief of the CRB, and two compensation commissioners selected by the chairman to serve a term of one year.

Programs and Services

In addition to its quasi-judicial duties, the commission provides the following related programs and services:

Education Services

Information is provided about the workers’ compensation system through a website, a toll-free telephone information service, publications, educational conferences and seminars. Also, speakers are made available to various groups on a wide variety of workers’ compensation-related topics.

Safety and Health Services

The commission assists employers with implementation of the workers' compensation regulations regarding the establishment and administration of safety and health committees at work sites.

Statistical Division

The commission measures and monitors the commission's caseload and performance and researches insurance coverage and injury and claims data.

Licensing

The commission grants the right to operate an approved medical care plan (sometimes called a preferred provider organization or PPO) to qualified employers in the state to provide medical treatment for employee work-related injuries and illnesses. The commission also reviews and approves applications for self-insurance plans in which employers insure their state-mandated workers' compensation liabilities themselves, rather than through purchasing insurance coverage from commercial insurance carriers.

Fraud

The state operates a Workers' Compensation Fraud Unit within the Office of the Chief State's Attorney. This unit investigates complaints of all parties alleged to be engaging in any form of workers' compensation fraud. The cost of the unit is borne by the commission.

SIGNIFICANT LEGISLATION

Effective July 1, 2011, Public Act 11-44 changed the responsibility for providing rehabilitation programs for employees suffering compensable injuries from the Workers' Compensation Commission to the newly created Department of Rehabilitation Services.

Section 17 of Public Act 12-1, enacted by the December Special Session of the General Assembly, authorized the transfer of $450,000 from the Workers' Compensation Administration Fund to the General Fund for the fiscal year ending June 30, 2013.

RÉSUMÉ OF OPERATIONS

Workers' Compensation Administration Fund

Funding and Assessments

The administrative expenses of the commission are financed by annual assessments made against companies writing workers' compensation insurance and self-insured employers in Connecticut. Section 31-344a of the General Statutes established the Workers' Compensation

Administration Fund. The fund was established to separately account for the funding and costs of administering the Workers' Compensation Act.

The chairman annually determines a budget for the operating costs of the commission. The budget is finalized through the state's budgetary and legislative processes. Amounts in the fund can only be expended in accordance with appropriations approved by the General Assembly. The chairman, in consultation with the State Treasurer, determines the assessment rate needed to fund the commission's operating costs. Section 31-345 of the General Statutes directs the State Treasurer to assess and collect from insurers and employers amounts sufficient to meet such costs. The collections are deposited in the Workers' Compensation Administration Fund.

Excess funds remaining at the close of each fiscal year as the result of budget surpluses accrue to the fund. One-half of the prior year's expenses remain in the fund with the balance returned to insurers and employers via a reduced assessment in the following fiscal year.

Receipts

Receipts totaled $24,940,506 and $16,206,718 for the fiscal years ended June 30, 2012 and 2013, respectively. The receipts included assessments of $24,808,886 and $16,156,401 collected by the State Treasurer and $48,578 and $13,702 collected by the commission. As noted above, assessments and collection of the assessments are the responsibilities of the State Treasurer and are subject to examination and comment as part of our audit of the Office of the State Treasurer. Receipts collected by the commission were primarily for photocopying fees and refunds of expenditures.

Expenditures

Expenditures totaled $16,181,190 and $17,121,453 for the fiscal years ended June 30, 2012 and 2013, respectively. In addition, disbursements of $2,863,256 and $3,190,231 for the fiscal years ended June 30, 2012 and 2013, respectively, were made by the Department of Labor, the Division of Criminal Justice, and the Department of Rehabilitation Services from appropriations made directly to those state entities. Expenditures made by the Workers' Compensation Commission for the two fiscal years examined and the prior fiscal year are summarized below:

	Fiscal Year Ended June 30,		
	2011	**2012**	**2013**
Personal services	$8,657,752	$8,490,584	$8,371,538
Contractual Services	2,268,460	2,185,252	1,913,155
Commodities	158,705	83,325	44,666
Sundry Charges:			
Training Costs, Non-Employee	1,380,732	0	0
Employee Fringe Benefit Costs	4,345,958	4,462,743	6,063,035
Indirect Overhead	1,181,091	959,286	716,918
Fixed Assets and Equipment	0	0	12,141
Total Expenditures	$17,992,698	$16,181,190	$17,121,453

Total commission expenditures decreased by $1,811,508 during the fiscal year ended June 30, 2012, which was mainly attributable to the transfer of vocational rehabilitation services to the Department of Rehabilitation Services in accordance with Public Act 11-44. Total expenditures increased by $940,263 during the fiscal year ended June 30, 2013 mainly due to an increase in the fringe benefit rate for commissioners.

Fund Balance

The balances of the Workers' Compensation Administration Fund were $14,958,793 as of June 30, 2012, and $10,410,700 as of June 30, 2013, compared to $9,054,146 as of June 30, 2011. The increase in the fund balance of $5,904,647 during the 2011-2012 fiscal year was mainly attributable to the transfer of $4,000,000 during the 2010-2011 fiscal year to the General Fund, as authorized by Public Act 10-179. The $4,000,000 transfer was factored into the fiscal year 2012 annual assessment calculation and thus receipts increased during the 2011-2012 fiscal year.

Federal and Other Restricted Accounts Fund

Federal and Other Restricted Accounts Fund receipts totaled $102,689 and $135,410 for the fiscal years ended June 30, 2012 and 2013, respectively. Of this amount, $102,689 and $102,410 were received from the Department of Labor for the fiscal years ended June 30, 2012 and 2013, respectively. The grants were made from the Department of Labor's Occupational Health Clinics appropriation. The commission used these funds to operate its Occupational Disease Surveillance System in accordance with Sections 31-396 to 31-403 of the General Statutes. The commission receives and coordinates data from occupational health clinics, auxiliary occupational health clinics and other databases and medical sources concerning occupational illnesses and injuries at various sites and related to various occupations. The commission uses this data to educate unions, employers and individual workers on the use of the surveillance system. The commission expended the total amount of the grants received in each of the fiscal years. Receipts totaling $33,000 for the fiscal year ended June 30, 2013 were for registration fees and sponsorships for an educational symposium coordinated by the commission that was held in October 2013. Expenditures related to the symposium for the fiscal year ended June 30, 2013 totaled $2,799.

STATE AUDITORS' FINDINGS AND RECOMMENDATIONS

Our audit identified the following reportable conditions.

Annual Assessment Calculation:

Background: Section 31-344a of the General Statutes establishes the Workers' Compensation Administration Fund. Amounts in the fund may be expended only pursuant to appropriation by the General Assembly. Any balance remaining in the fund at the end of any fiscal year shall be carried forward in the fund to the next fiscal year.

The expenses of the Workers' Compensation Commission are financed by annual assessments made against companies writing workers' compensation insurance and self-insured employers in Connecticut. WCC calculates the annual assessment based on information such as the prior year's fund balance and expenditure amounts, the current year's approved budget and the total paid losses of insurers.

Section 17 of Public Act 12-1, enacted by the December Special Session of the General Assembly, transferred $450,000 from the Workers' Compensation Fund to the General Fund for the fiscal year ending June 30, 2013.

Criteria: Section 31-345 subsection (b)(2) of the General Statutes states that the chairman of the Workers' Compensation Commission shall annually, on or after July first of each fiscal year, determine an amount sufficient to meet the expenses of the commission and the Department of Rehabilitation Services, in providing rehabilitation services for employees suffering compensable injuries in accordance with section 31-283a. The Treasurer shall assess upon and collect from each employer the proportion of such expenses. Such assessment shall not exceed four percent of total compensation and payments made by insurance carriers and self-insurers and such assessments and expenses shall not exceed the budget estimates submitted in accordance with subsection (c) of section 31-280.

Section 31-280 subsection (c) requires that the chairman of the WCC submit an annual budget of expenditures that shall include all direct and indirect costs incurred by WCC for the succeeding fiscal year.

Condition: Our review of the commission's annual assessment calculation for the 2013-2014 fiscal year disclosed that the commission included the $450,000 transferred from the Workers' Compensation Fund to the General Fund. However, a fund balance transfer of that nature would not normally be regarded as a direct or indirect operating expense of WCC. As a result, the calculated assessments exceeded the operating expense budget estimate provided for in Section 31-280. We also noted that the fund balance used in the commission's calculation was understated by $353,093.

Effect: Insurers appear to have been assessed at a slightly higher rate than the amount considered to be sufficient to meet budgeted operating expenses. However, the rate did not exceed the statutory four percent maximum.

Cause: The WCC, without express legislative authority, recouped the $450,000 transferred to the General Fund through subsequent assessments on insurers. In order to ensure that the commission had sufficient funds available to meet its cash flow needs, the funds were incorporated into the calculation of the annual assessment rate. Guidance was sought from the Office of Policy and Management, which approved including the amount in the assessment. It also appears there was confusion in obtaining the proper fund balance due to the way carry forward funds from the Department of Rehabilitation Services were reported.

Recommendation: The Workers' Compensation Commission should not include funds transferred out of the Workers' Compensation Administration Fund as operating expenses when calculating the annual assessment rate without clear legislative authority to recoup such amounts and should strengthen internal controls over the calculation. (See Recommendation 1.)

Agency Response: "The agency respectfully disagrees with this finding of the Auditors of Public Accounts. In order for the Workers' Compensation Commission to fulfill our fiduciary responsibility and account for all funds received and disbursed from the Workers' Compensation Administration Fund and to ensure that there will be sufficient funds to meet the cash flow needs of the agency for the first six months of the year, the $450,000 transfer was included in the assessment calculation. The Workers' Compensation Administration Fund has no corresponding receivable for the $450,000 and there is no expectation that this money will be returned to the fund. Unspent budgeted funds from the current year are returned to the Workers' Compensation Administration Fund and any amount that is in excess of one half of the year's expenditures will be applied as a credit toward next year's assessment.

The Department of Rehabilitation Services (DORS) was allowed to carry over $353,093 from FY 13 to FY 14. Since those funds were appropriated to DORS, they were not included in the Workers' Compensation Administration Fund balance. The Core-CT reports used to determine the budgetary fund balance produced the fund balance without including the $353,093 carryover."

Auditors' Concluding Comment:

The budget process referred to in Section 31-280 is designed to recoup operating costs.

The Core-CT reports used to produce the budgetary fund balance did properly produce the fund balance without the $353,093 carry forward included. However, the commission used the wrong figure on the report due to confusion by the presentation of the figures on the report. Consistent with the prior year's assessment calculation, the credit balance on the report should have been used. This figure does not include the carry forward funds as it represents the assets of the fund.

Performance Evaluations:

Criteria: Section 5-210 of the General Statutes provides that the Commissioner of Administrative Services may establish one or more incentive plans for employees whose positions are designated managerial or confidential and are assigned to the managerial pay plan. The incentive plan is the means by which managers and confidential employees can receive increases in pay above and beyond any amount received from general wage increases. The current plan is the Performance Assessment and Recognition System (PARS).

Basic features of the PARS program include developing results-oriented, measurable performance objectives and goals for each manager and confidential employee, regular communication between such employees and their supervisors on meeting goals, performance assessments, and differential annual salary increases based on performance reviews.

The performance evaluation is a method of assessing employee job performance in relation to pre-established standards. Standard business practice advocates that supervisors evaluate employee job performance in writing at least once each year.

Condition: Our review disclosed that there were no performance evaluations in the personnel files of two management employees in our transaction test. We noted that both employees received PARS increases in September, 2013. In addition, we noted that one non-management employee did not have a current evaluation on file.

Effect: Management's ability to develop employee performance plans, track employee career development, and form a basis for personnel decisions is significantly diminished due to the absence of written performance evaluations. In addition, without written evaluations, there is question as to the legitimacy of the PARS increases paid.

Cause: Administrative controls were inadequate for ensuring the completion of performance evaluations

Recommendation: The Workers' Compensation Commission should ensure that regular performance evaluations are performed on all of its employees. (See Recommendation 2.)

Agency Response: "The Workers' Compensation Commission agrees with this finding. The Workers' Compensation Commission employs only three managers, each of whom reports directly to the Chairman. The agency acknowledges that the frequent informal communications that take place on an ongoing basis throughout the year should be formalized. The Human Resources Director will work with the Chairman and the other two managers to develop PARS goals and to formalize the feedback process so that this will be properly done in the future. Regarding the one bargaining unit employee with a missing evaluation, the agency believes that this one form has been misplaced or misfiled, as the agency is diligent about performance appraisals for all bargaining unit employees. This is demonstrated by the fact that all of the other employees in the test had all of the required evaluations in place. The agency will attempt to ensure that all evaluations are properly filed in the personnel files in the future."

Ethics Training and Acknowledgements:

Criteria: The Ethics Liaison and Compliance Officers Guide published by the Office of State Ethics states that ethics liaisons are responsible for providing assistance and coordinating and facilitating the development of ethics policies for their agencies as well as conducting or scheduling annual education and training concerning the Code of Ethics. Annual training requirements include providing and/or scheduling training for both existing and new employees.

Former Governor Rell's Executive Order No. 1 requires that prior to commencement of state service, each new state employee sign a statement acknowledging receipt of the state ethics laws and regulations and agreement to comply with the laws.

Condition: Review of employee files indicated that ethics training for current employees had not been completed since 2007.

Our review of the personnel files of the two employees hired during our audited period found that both individuals did not complete an ethics training program. In addition, for one of the employees, WCC did not have a signed statement on file acknowledging the employee's receipt of state ethics laws and regulations prior to commencement of state service.

Effect: The commission has lessened assurance that employees understand and agree to comply with the state's code of ethics.

Cause: WCC did not have sufficient controls in place to ensure that all new employees acknowledge the receipt of the state Code of Ethics and that all employees complete an annual ethics training program.

Recommendation: The Workers' Compensation Commission should strengthen controls to ensure that all new employees acknowledge the receipt of and agree to comply with the state Code of Ethics prior to commencement of state service and all employees complete an annual ethics training program. (See Recommendation 3.)

Agency Response: "The Workers' Compensation Commission agrees with this finding related to annual training. The Ethics Liaison will schedule annual ethics training for all employees beginning in April 2014 and every April in the future. The new employee orientation process has been revised to include the ethics training as part of the employee's orientation on or about the first day of employment, so that new employees will be trained prior to beginning their job duties. Regarding the one employee for whom there was not a signed statement acknowledgement of receipt of the Code of Ethics at the interview stage, this was an oversight due to unusual circumstances surrounding this hire. All candidates receive a letter from the Governor and the Code of Ethics when they are interviewed for any position with the Workers' Compensation Commission. The employee who did not receive this information was a former long term IT consultant who applied for this position. Due to timing issues regarding the urgency of filling the position, the supervisor conducted a telephone interview rather than the usual in-person meeting, so the employee did not receive the information at the time of the interview. However, it should be noted that the Code of Ethics is also part of the Employee Handbook which all employees receive on their first day of employment, so even the employee who did not receive this at the interview stage did receive all the information upon beginning employment. The new employee orientation checklist has a list of policies that the HR division representative explains to new employees to ensure that important information is communicated to all new employees, and ethics is one of the items on the checklist. Although the agency believes that there are safeguards in place to ensure communication of the Code of Ethics, we will adopt the recommendation to strengthen controls in this area."

Payroll and Personnel:

Criteria:

Section 5-247-11 of the state regulations require that employees submit medical certificates signed by a licensed physician or other practitioner whose method of healing is recognized by the state in support of the use of five or more consecutive sick days.

The Department of Administrative Services (DAS) Management Personnel Policy 06-02 states that managers must receive written authorization in advance to work extra time by the agency head or designee in order to record the extra hours as compensatory time. The written authorization must outline the reasons for compensatory time and proof of advance authorization must be retained in the employee's personnel file for audit purposes.

Section 5-247 of the General Statutes requires that each employee who retires under the provisions of Chapter 66 shall be compensated, effective as of the date of his or her retirement, at the rate of one-fourth of such employee's salary for sick leave accrued to his or her credit as of the last day on the active payroll up to a maximum payment equivalent to sixty days' pay.

In accordance with Section 5-252 of the General Statutes, any state employee leaving state service shall receive a lump sum payment for accrued vacation time.

Section 5-213(b) of the General Statutes states that semiannual longevity lump sum payments shall be made on the last regular pay day in April and October of each year, except that a retired employee shall receive, in the month immediately following retirement, a prorated payment based on the proportion of the six-month period served prior to the effective date of retirement.

The Department of Administrative Services (DAS) reviews personnel actions taken in the Core-CT payroll and personnel system by executive branch agencies. If DAS finds an error with a personnel action that an agency processed in Core-CT, the Audit Review/Quality Assurance Unit will notify the agency and request that it be fixed. Sound business practices dictate that such errors be corrected in a timely manner.

Condition:

Our review of payroll and personnel disclosed the following conditions:

- A medical certificate was not on file for one of the ten employees reviewed who had charged more than five consecutive sick days. This condition was repeated from the last audit. For another employee, we noted that the employee's sick leave charges were coded incorrectly.

- Our review of compensatory time for three employees disclosed that prior written authorization was not obtained by one management employee for the two instances of compensatory time earned in our test. In addition, one employee used nine hours of compensatory time before it was earned.

- Our review of termination payments for six employees disclosed that for one employee, the incorrect hourly rate was used in the agency's calculation, resulting in an overpayment of $176. For the same employee, the partial longevity payment was calculated incorrectly, resulting in an underpayment of $37. The net effect of these two errors resulted in an overpayment of $139 to the employee.

- During the audited period, WCC received notification from DAS of five errors. Two class code errors had not been corrected in Core-CT at the time of our review, over one year later.

Effect: Without proper oversight and documentation, the commission has less assurance that the use of extended sick leave is substantiated by a medical professional, that compensatory time is being granted appropriately, that employees are being paid correctly at retirement and that personnel records kept in the state system are correct.

Cause: The commission was lax in its enforcement of requiring medical certificates and advance authorization for compensatory time.

Because an employee used compensatory time that was earned in the same pay period, the commission appropriately charged the time to a temporary leave code referred to as leave in lieu of accrual (LILA). However, the commission neglected to change the coding after the pay period, causing the employee to believe there was more compensatory time available than there actually was.

For termination payments, there was confusion over the timing of rate increases and the way to calculate longevity payments for part-time employees.

It appears that, due to an oversight, the commission did not correct personnel action errors in a timely manner.

Recommendation: The Workers' Compensation Commission should strengthen internal controls over payroll and personnel. (See Recommendation 4.)

Agency Response: "The agency agrees with the recommendations and responds to each item as follows:

- Medical Certificates: The agency makes every effort to obtain proper medical certification when an employee is out for more than five consecutive work days; however, employees are sometimes unable to supply documentation in a timely manner due to difficulty in getting the doctors' offices to cooperate in completing the forms. The agency has drafted a new policy indicating that, if appropriate medical documentation is not received within 10 business days following a qualifying absence, the use of sick leave will be denied and the employee will be required to substitute other paid leave if available, or will be required to use leave without pay. The agency will request a review of this policy by the Office of Labor Relations prior to issuing it officially.

- Incorrect Sick Leave Charge: An employee coded time to sick rather than funeral time for the death of a family member. The error has been corrected and the supervisor has been advised of the proper coding to ensure that future absences are coded properly.

- Compensatory Time: The agency acknowledges that the one manager who utilized compensatory time during this audit period failed to obtain written authorization. Accrual of compensatory time by managerial employees, which requires written approval in advance, is extremely limited in our agency. The manager who accrued comp time in the auditor's test had verbal approval from the supervisor, but failed to secure it in writing. The Human Resources Director has sent the Management Personnel Policy 06-02 to the Chairman and the other two managers via email to ensure that prior written authorization is obtained in the future. The error related to the use of the temporary coding for accrual and use of compensatory time in the same pay period (for a bargaining unit employee) will not occur in the future, as the agency has instituted a practice of running a report of the LILA usage on a bi-weekly basis to ensure that timely updates are made.

- Termination Payments: The part-time employee retired on July 1, 2011. During this time the agency was coping with potential layoffs/bumping, SEBAC negotiations, partial allotments, budget reductions, fiscal year-end closing, salary increases and the merging of the Rehabilitation Services Division with DORS. Additional steps will be added to our procedure in verifying the backup documentation for a given employee. The agency now has a thorough understanding of the computation of longevity for a part-time retiree.

- Timely Error Correction: The Human Resources Division has established a timeline for error correction. When an email is received from DAS with Core-CT errors, corrections will be made within 10 working days from receipt of the email."

RECOMMENDATIONS

Status of Prior Audit Recommendations:

- Absent a clear legislative intent to recoup such amounts, the commission should not include funds transferred out of the Workers' Compensation Administration Fund as operating expenses when calculating the annual assessment rate. This recommendation is repeated. (See Recommendation 1.)

- The Workers' Compensation Commission should promptly notify the Auditors of Public Accounts and the State Comptroller of all instances of the misuse of state resources in compliance with Section 4-33a of the General Statutes. This recommendation is resolved.

- The Workers' Compensation Commission should strengthen controls to ensure that all new employees acknowledge the receipt of and agree to comply with the State Code of Ethics and complete the online ethics training program. This recommendation is repeated. (See Recommendation 3.)

- The Workers' Compensation Commission should obtain medical certificates when appropriate in compliance with state regulations. This recommendation is repeated. (See Recommendation 4.)

Current Audit Recommendations:

1. **The Workers' Compensation Commission should not include funds transferred out of the Workers' Compensation Administration Fund as operating expenses when calculating the annual assessment rate without clear legislative authority to recoup such amounts and should strengthen internal controls over the calculation.**

   Comment:

   Our review of the commission's annual assessment calculation for the 2013-2014 fiscal year disclosed that the commission included the $450,000 transferred from the Workers' Compensation Fund to the General Fund. However, a fund balance transfer of that nature would not normally be regarded as a direct or indirect operating expense of WCC. As a result, the calculated assessments exceeded the operating expense budget estimate provided for in Section 31-280. We also noted that the fund balance used in the commission's calculation was understated by $353,093.

2. **The Workers' Compensation Commission should ensure that regular performance appraisals are performed on all of its employees.**

   Comment:

Our review disclosed that there were no performance appraisals in the personnel files of two management employees in our test. We noted that both employees received PARS increases in September, 2013. In addition, we noted that one non-management employee did not have a current evaluation on file.

3. **The Workers' Compensation Commission should strengthen controls to ensure that all new employees acknowledge the receipt of and agree to comply with the state Code of Ethics prior to commencement of state service and all employees complete an annual ethics training program.**

   Comment:

   Review of employee files indicated that ethics training for current employees had not been completed since 2007. Our review of the personnel files of the two employees hired during our audited period found that both individuals did not complete an ethics training program. In addition, for one of the employees, WCC did not have a signed statement on file acknowledging the employee's receipt of state ethics laws and regulations.

4. **The Workers' Compensation Commission should strengthen internal controls over payroll and personnel.**

   Comment:

   Our review disclosed deficiencies with respect to the obtaining of medical certificates and compensatory time authorizations, the calculation of termination payments, and timely corrective action on Core-CT record errors identified by the Department of Administrative Services.

CONCLUSION

We wish to express our appreciation for the courtesies and cooperation extended to our representatives by the personnel of the Workers' Compensation Commission during the course of our examination.

Lisa G. Daly
Administrative Auditor

Approved:

John C. Geragosian
Auditor of Public Accounts

Robert M. Ward
Auditor of Public Accounts