

STATE OF CONNECTICUT



*AUDITORS' REPORT
WORKERS' COMPENSATION COMMISSION
FISCAL YEARS ENDED JUNE 30, 2020 AND 2021*

AUDITORS OF PUBLIC ACCOUNTS
JOHN C. GERAGOSIAN ❖ CLARK J. CHAPIN

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June 27, 2022

EXECUTIVE SUMMARY

In accordance with the provisions of Section 2-90 of the Connecticut General Statutes, we have audited certain operations of the Workers' Compensation Commission for the fiscal years ended June 30, 2020 and 2021. Our audit identified one internal control deficiency.

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The Workers' Compensation Commission had not updated its software inventory since 2010. The Workers' Compensation Commission should maintain an accurate and current software inventory that includes all licensed, owned, and agency developed software in the manner prescribed by the Comptroller's State Property Control Manual. (See Recommendation 1.)

STATE OF CONNECTICUT



AUDITORS OF PUBLIC ACCOUNTS

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Hartford, Connecticut 06106-1559

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June 27, 2022

AUDITORS' REPORT WORKERS' COMPENSATION COMMISSION FISCAL YEARS ENDED JUNE 30, 2020 AND 2021

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, 2020 and 2021. The objectives of our audit were to evaluate:

1. The commission's internal controls over significant management and financial functions;
2. The commission's compliance with policies and procedures internal to the commission or promulgated by other state agencies, as well as certain legal provisions; and
3. The effectiveness, 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 commission and testing selected transactions. Our testing was not designed to project to a population unless specifically stated. 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 generally accepted government auditing standards. Those standards require that we plan and perform the 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 a reasonable basis for our findings and conclusions based on our audit objectives.

The accompanying Résumé of Operations is presented for informational purposes. This information was obtained from various available sources including, but not limited to, the department's management and the state's information systems, and was not subjected to the procedures applied in our audit of the department. For the areas audited, we:

1. Identified deficiencies in internal controls;
2. Identified apparent noncompliance with laws, regulations, contracts and grant agreements, policies, and procedures; and
3. Did not identify a 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 principally under the provisions of Title 31, Chapter 568 of the General Statutes. WCC is responsible for administering Connecticut's workers' compensation laws with the ultimate goal of ensuring that workers injured on the job receive prompt payment of lost work time benefits and attendant medical expenses. To this end, the commission's mission is also to facilitate voluntary agreements, adjudicate disputes, make findings and awards, hear and rule on appeals, and close out cases through full and final stipulated settlements.

Workers' Compensation Administrative Law Judges

The commission consists of 16 workers' compensation administrative law judges (formerly commissioners), including one who serves as chairman. The Governor nominates the administrative law judges, and the General Assembly appoints them for five-year terms. The Governor also selects one of the 16 administrative law judges to serve as chairman of the commission, who then serves at the pleasure of the Governor. The administrative law judges, as of June 30, 2021 were as follows:

Stephen M. Morelli, Chairman
Scott A. Barton
Randy L. Cohen
Carolyn M. Colangelo
Daniel E. Dilzer
Maureen E. Driscoll
Toni M. Fatone
Jodi Murray Gregg

Brenda D. Jannotta
Peter C. Mlynarczyk
Soline M. Oslena
David W. Schoolcraft
Pedro E. Segarra
Charles F. Senich
Michelle D. Truglia
William J. Watson III

Stephen M. Morelli was appointed chairman in May 2018 and served in that capacity throughout the audited period. Thomas J. Mullins also served as an administrative law judge during the audited period.

Organization Structure

The chairman is responsible for administering the workers' compensation system and adopting the policies, rules and procedures necessary to implement workers' compensation laws in Connecticut. 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 advisory board has eight members who are appointed by the Governor with the advice and consent of the General Assembly. The advisory board elects a ninth member to be its chairman. The board also interviews commissioners who are being considered for reappointment and makes a formal recommendation to the Governor.

The chairman of the commission also designates workers' compensation districts throughout the state and assigns administrative law judges to those districts according to claim volume. Administrative law judges 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. CRB is responsible for reviewing appeals of decisions made by commissioners. CRB consists of the chairman of the commission, who serves as its chief, and two administrative law judges selected by the chairman who serve one-year terms.

Programs and Services

In addition to its quasi-judicial duties, the commission provides programs and services related to education, safety and health, statistics, licensing, and the investigation of fraud.

- **Education Services** provides information about the workers' compensation system through a website, a toll-free telephone information service, publications, educational conferences and seminars.
- **Safety and Health Services** assists employers with implementation of the workers' compensation regulations as well as establishing and administering safety and health committees at work sites.
- The **Statistical Division** measures and monitors the commission's caseload and performance as well as researches insurance coverage and injury and claims data.

- **Licensing** grants the right to operate an approved medical care plan (sometimes called a preferred provider organization or PPO) to qualified Connecticut employers to provide medical treatment for employee work-related injuries and illnesses. It also reviews and approves applications for self-insurance plans in which employers self-insure their workers' compensation liabilities, rather than purchasing coverage from commercial insurance carriers.
- The **Fraud Unit**, within the Office of the Chief State's Attorney, investigates complaints of workers' compensation fraud. The cost of the unit is borne by the Workers' Compensation Commission. The Workers' Compensation Administration Fund also provides funding to support services the State Department of Aging and Disability Services provides to injured workers.
- **Rehabilitation Services** administers programs for seriously injured or ill workers with eligible workers' compensation cases, pursuant to Section 31-283a of the Connecticut General Statutes. Rehabilitation Service Coordinators work within each of the eight Workers' Compensation Commission District Offices, working closely with the Administrative Law Judges and Commission office staff.

Significant Legislation

- **Public Act 21-2 of the June Special Session (Section 289)**, effective October 1, 2021, established the Connecticut Essential Workers' COVID-19 Assistance Program to provide benefits for lost wages, out-of-pocket medical expenses, and burial expenses to certain essential employees who could not work due to contracting COVID-19 or symptoms that were later diagnosed as COVID-19.

Public Act 21-18 (Sections 1 and 8), effective October 1, 2021, retitled workers' compensation commissioners as administrative law judges and repealed a provision that placed the Workers' Compensation Commission within the Department of Labor for administrative purposes only.

- **Public Act 21-107 (Section 2)**, effective from passage on June 30, 2021, expanded eligibility for workers' compensation benefits for post-traumatic stress injuries to cover emergency medical services personnel, all Department of Correction employees, telecommunicators (i.e., 9-1-1 emergency dispatchers), and COVID-19 health care providers.

RÉSUMÉ OF OPERATIONS

The Workers' Compensation Commission accounts for its operations in the Workers' Compensation Administration Fund and the Federal and Other Restricted Accounts Fund. The commission does not receive a General Fund appropriation.

Workers' Compensation Administration Fund

Section 31-344a of the General Statutes established the Workers' Compensation Administration Fund. The fund was statutorily established to separately account for the funding and costs of administering the Workers' Compensation Act. The fund generates revenues through annual assessments against workers' compensation insurance companies and self-insured employers in Connecticut.

The chairman, in consultation with the Office of the State Comptroller, determines the assessment rate needed to fund the commission's operating costs. The commission can only spend amounts in the fund in accordance with a budget approved by the General Assembly. Excess funds may remain at the close of each fiscal year as the result of budget surpluses that accrue to the fund. Up to one-half of the prior year's expenses can remain in the fund. The commission returns any excess balances to insurers and employers via a reduced assessment rate in the following fiscal year. The fund balance of the Workers' Compensation Administration Fund totaled \$16,957,095 and \$16,958,737 as of June 30, 2020 and 2021, respectively.

Federal and Other Restricted Accounts Fund

The Connecticut Department of Labor (DOL) receives federal Occupational Health Clinic grant funding to administer the Occupational Disease Surveillance program. WCC receives pass-through proceeds from DOL to pay for shared personal service costs based on a memorandum of agreement between the two agencies.

The Occupational Disease Surveillance program operates 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 occupational illness and injury databases and medical sources at various sites, related to several occupations. The commission uses this data to educate unions, employers, and workers on the use of the surveillance system.

Revenue and Receipts

Revenues for the Workers' Compensation Commission for the fiscal years ended June 30, 2019, 2020 and 2021, are summarized below by fund:

Fund	Fiscal Year Ended June 30,		
	2019	2020	2021
Workers Compensation Fund	\$ 21,763,993	\$ 26,524,312	\$ 23,330,982
Federal & Other Restricted Accounts Funds	103,072	103,418	103,668
Total Revenues by Fund	\$ 21,867,065	\$ 26,627,730	\$ 23,434,650

Revenues by account for the Workers' Compensation Commission for the fiscal years ended June 30, 2019, 2020, and 2021, are summarized below:

Revenues by Account

Account	Fiscal Year Ended June 30,		
	2019	2020	2021
Receipts from Assessments	\$ 21,038,264	\$ 26,036,979	\$ 23,286,564
Restricted State Aid	103,072	103,418	103,668
Investment Interest	709,451	475,430	34,298
Other	16,278	11,903	10,120
Total Revenues by Account	\$ 21,867,065	\$ 26,627,730	\$ 23,434,650

Revenue generates primarily from assessments collected by the State Treasurer. Receipts from Assessments fluctuate year-to-year based on the commission’s operating needs. The commission adjusts the assessment rate annually to account for any budgetary deficits or surpluses.

The commission earns interest on the fund balance from the State Treasurer’s interest credit program. Since 2019, money market interest rates have declined substantially, leading to decreased interest income. Other commission receipts were primarily for photocopying and archive retrieval fees.

Expenditures

Expenditures by fund for the Workers’ Compensation Commission for the fiscal years ended June 30, 2019, 2020, and 2021, are summarized below:

Fund	Fiscal Year Ended June 30,		
	2019	2020	2021
Workers’ Compensation Fund	\$ 20,060,266	\$ 20,293,912	\$ 20,586,564
Federal & Other Restricted Accounts Funds	103,072	33,977	173,068
Total Expenditures by Fund	\$ 20,163,338	\$ 20,327,889	\$ 20,759,632

Expenditures by account for the Workers’ Compensation Commission for the fiscal years ended June 30, 2019, 2020, and 2021, are summarized below:

Account	Fiscal Year Ended June 30,		
	2019	2020	2021
Personal Services & Employee Benefits	\$ 17,854,234	\$ 17,856,850	\$ 18,661,898
Premises and Property Expenses	1,591,443	1,615,347	1,585,559
Purchased & Contracts Services	316,720	357,810	358,749
Indirect Overhead and Reimbursements	81,266	146,875	(142,328)
Information Technology	257,081	166,037	137,911
Purchased Commodities	49,521	167,053	138,246
Other Expenditures	13,073	17,917	19,597
Total Expenditures by Account	\$ 20,163,338	\$ 20,327,889	\$ 20,759,632

The 4.3% growth in Personal Services and Employee Benefits expenditures during the fiscal year ended June 30, 2021, was primarily due to the increase in the retirement benefit rate in fiscal year 2021 that is set by the Office of the State Comptroller. The decrease in Indirect Overhead and Reimbursements, which is reported net of reimbursements, was caused by a reduction in the statewide cost allocation expense for fiscal year 2020.

STATE AUDITORS' FINDINGS AND RECOMMENDATIONS

Our examination of the records of Workers' Compensation Commission disclosed the following finding and recommendation, which has not been repeated from the previous audit:

Software Inventory Records

Criteria: Chapter 7 of the Comptroller's State Property Control Manual requires that state agencies maintain an inventory record of licensed, owned, and agency developed software regardless of cost.

Condition: The Workers' Compensation Commission has not updated its software inventory records since 2010. According to the accounting records, the commission has purchased software totaling \$22,792 since 2010.

Context: The commission's software inventory currently consists of 50 items totaling \$94,693.

Effect: The commission's software property control records are incomplete and inaccurate.

Cause: There appears to be a lack of effective communication between the business office and those responsible for information technology.

Prior Audit Finding: This finding has not been previously reported.

Recommendation: The Workers' Compensation Commission should maintain an accurate and current software inventory that includes all licensed, owned, and agency developed software in the manner prescribed by the Comptroller's State Property Control Manual. (See Recommendation 1.)

Agency's Response: "The agency agrees with the auditor's finding. The agency will maintain an accurate and up to date software inventory that includes all licensed software, owned software and agency developed software in the manner prescribed by the State Property Control Manual. The agency has not purchased licensed software since 2020. However, the inventory has been updated."

RECOMMENDATIONS

Status of Prior Audit Recommendations:

Our prior audit report on the Workers' Compensation Commission contained one recommendation that has been implemented or otherwise resolved.

- The Workers' Compensation Commission should maintain adequate documentation to ensure that medical leave absences are supported in accordance with state personnel regulations and FMLA guidelines. **This recommendation has been resolved. The commission's human resources functions have migrated to the Department of Administrative Services.**

Current Audit Recommendations:

- 1. The Workers' Compensation Commission should maintain an accurate and current software inventory that includes all licensed, owned, and agency developed software in the manner prescribed by the Comptroller's State Property Control Manual.**

Comment:

The commission had not updated the software inventory records since 2010. The commission's accounting records disclosed \$22,792 in purchases since that time.

ACKNOWLEDGMENT

In 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.

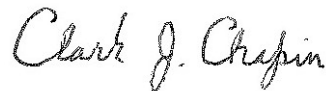


Matthew Wood
Principal Auditor

Approved:



John C. Geragosian
State Auditor



Clark J. Chapin
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