

Audit Highlights



Highlights of Legislative Auditor report on the Division of Industrial Relations issued on September 19, 2012. Report # LA12-17.

Background

The mission of the Division of Industrial Relations is to promote the health and safety of Nevada employees and ensure injured employees receive all benefits to which they are entitled. The Division includes the following sections: Workers' Compensation, Occupational Safety and Health Administration (OSHA), Mine Safety and Training, and Safety Consultation and Training.

The Division maintains offices in Carson City, Henderson, and Reno, with additional offices for the Mine Safety and Training Section in Elko, Tonopah, and Winnemucca. For fiscal year 2012, the Division had a total of 214 positions. During fiscal year 2011, the Division had total revenues and expenditures of nearly \$18.2 million.

Purpose of Audit

The purpose of the audit was to determine whether internal controls at the Division ensure assessments are accurate and timely and state laws governing collections are followed. In addition, to determine whether controls provide reasonable assurance that information systems facilitate timely inspections of mechanical objects (boilers, elevators, and other equipment), ensure the timely processing of workers' compensation claims, and protect personally identifiable information. This audit included a review of the Division's activities related to the Occupational Safety and Health Administration, Workers' Compensation Section, and VERSA information system occurring during fiscal year 2011, and assessments occurring during fiscal year 2010.

Audit Recommendations

This audit report contains three recommendations to help improve the Division's compliance with state law over the collection of fines and penalties. In addition, three recommendations were made to help ensure that personally identifiable information is safeguarded. Finally, two recommendations were made to help improve the Division's monitoring of information systems.

The Division accepted the eight recommendations.

Recommendation Status

The Division's 60-day plan for corrective action is due on December 18, 2012. In addition, the six-month report on the status of audit recommendations is due on June 18, 2013.

Division of Industrial Relations

Department of Business and Industry

Summary

While assessments are accurate and timely, the Division can improve its revenue collection process through improvements to internal controls and accounts receivable lists. For example, internal controls were not adequate to ensure collection efforts were timely and in compliance with state law. In addition, past due debts from fines and penalties were not transferred to the State Controller's Office during the required timeframe. Furthermore, accounts receivable reports are not reliable. Finally, policies and procedures over collection efforts are not adequate.

The Division does not adequately protect claimants' personally identifiable information, such as social security numbers. Although we did not identify indications of a security breach, personally identifiable information was stored unencrypted on several of the Division's databases. In addition, the Division sends and receives unencrypted emails containing social security numbers and other sensitive information. In the event of a security breach, Nevada citizens could be at risk of having their personal information used in a fraudulent manner.

Oversight of the VERSA information system needs improvement. The VERSA system is used to monitor the OSHA Mechanical Unit inspections (boilers, elevators, and other equipment) and Workers' Compensation cases. We found past and current efforts to manage the contract and vendor have resulted in a system with dual entry of data into other programs and a lack of reporting capabilities. In addition, better prioritization in resolving problems should be implemented. Key decisions in the procurement and development phases could have prevented some of the problems associated with the system.

Key Findings

The Division did not turn over past due fines and penalties in accordance with time limits specified in statute. We identified over \$180,000 in past due fines and penalties that should have been turned over to the Controller's Office for collection. Our review of 42 Workers' Compensation cases with outstanding debt identified 35 cases that should have been turned over to the Controller's Office that were either late or not sent at all. For example, 11 cases that were turned over were an average of 6 months past due at the time. In addition, for 24 cases not turned over, the investigation had been completed 2½ years prior to our testing. Further, the Division had not sent demand letters requiring payment for 19 of the cases which were an average of 16 months overdue. (page 4)

Our testing of 25 OSHA cases with outstanding balances identified 12 that should have been turned over to the Controller's Office for collection, but had not been. These cases were between 9 and 619 days past the Controller's 60-day requirement at the time of testing. By not turning the debt over to the Controller's Office, the Division was unable to participate in the state's Debt Offset Program, which helps ensure collection of money owed to the State. Under this program, a vendor can be put in a hold status which would cause any payment made to the vendor to be rejected. The amount of the payment is then applied to the outstanding debt due to the State. (page 5)

The Workers' Compensation and OSHA Sections did not maintain complete or accurate aged accounts receivable reports. For example, the receivable report used by the Workers' Compensation Section for reporting outstanding debt to the State Controller's Office did not include all cases. We identified 189 cases in the section's active account files that were not on the aged accounts receivable reports. (page 6)

The Division does not adequately protect claimants' personally identifiable information, such as social security numbers. We identified unencrypted social security numbers on several of the Division's application databases. In addition, the Division sends and receives unencrypted emails containing claimants' social security numbers. (page 9)

The Division did not provide adequate oversight during implementation of the VERSA information system used for OSHA Mechanical Unit inspections and Workers' Compensation cases. The system lacks sufficient reporting capabilities resulting in staff using other programs to create reports. In addition, updating information for Mechanical Unit inspections can be a time consuming process. Also, the Division did not have a prioritized approach for ensuring the system's most critical shortcomings are corrected. Finally, the Division did not enforce contract terms during the implementation process such as comprehensive end user testing and holding back final payments until corrections had been made. (page 11)