



**Workforce Safety
& Insurance**

To us, it's personal.

Report of Internal Audit

Report No. 2006-02

Modified Workers' Compensation Coverage Program

September 27, 2006

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September 27, 2006

Members of the North Dakota Interim Industry, Business, and Labor Committee

Members of Workforce Safety and Insurance Board of Directors

Mr. Sandy Blunt, Executive Director and CEO, Workforce Safety & Insurance

Transmitted herewith is the performance audit of the modified workers' compensation coverage program and safety inspection of the Roughrider Industries work programs. This report contains the results of our review for the fiscal years 2005 and 2006. The audit contains a review of Roughrider Industries' participation in the risk management program, evidence of excess or reinsurance coverage, any claims for benefits, and minimum premium and allocated loss adjustment expenses.

This audit was conducted as mandated in North Dakota Century Code Chapter 65-06.2. Included in the report are the audit objectives, findings, and conclusions.

Sincerely,

Sue Howard
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INTRODUCTION

Purpose of the Audit

North Dakota Century Code (NDCC) section 65-06.2-09, requires Workforce Safety & Insurance (WSI) to submit a report with recommendations based on the performance and safety audits to an interim committee designated by the Legislative Council no later than thirty days before the commencement of each regular session of the Legislative Assembly. The performance audit of the program for modified workers' compensation coverage was conducted by WSI's Internal Audit department while the safety inspection of Roughrider Industries' Prison Industry Enhancement (PIE) Certification work program was conducted by WSI's Loss Prevention Specialists.

Background Information

To allow Roughrider Industries to continue receiving federal funding through the PIE Certification Program, the modified workers' compensation coverage program was established to provide coverage for inmates incarcerated at the State Penitentiary who are working in a prison industry program.

In accordance with NDCC section 65-06.2, WSI, in cooperation with the Department of Corrections and Rehabilitation (DOCR), adopted administrative rules and fee schedules for the modified workers' compensation coverage program effective May 1, 1998. In March 1999, the DOCR, on behalf of Roughrider Industries, applied for participation in the modified workers' compensation coverage program.

Objectives of the Audit

Our overall objective was to evaluate the performance of the modified workers' compensation coverage program as mandated in NDCC section 65-06.2. Specifically,

- Objective 1. Is the participant meeting WSI's Risk Management Program requirements?
- Objective 2. Verify excess coverage or reinsurance has been obtained.
- Objective 3. Identify any claims filed for workers compensation benefits.
- Objective 4. Are premium and other costs being collected?

Scope and Methodology

Audit fieldwork was conducted in July and August 2006. The audit period for which information was collected and reviewed was from July 1, 2004, through June 30, 2006. We performed this audit using criteria contained in North Dakota Century Code (NDCC); North Dakota Administrative Code (NDAC); and employer account files maintained within WSI's Policyholder Services and Safety/Loss Prevention departments. To achieve our audit objective, paper and electronic documents from the employer account files were obtained from Policyholder Services and Safety/Loss Prevention departments. This documentation was evaluated and compared with requirements established by NDCC and NDAC. Specific methodologies are identified in the respective sections of this report.

AUDIT RESULTS

No significant deficiencies were identified regarding the intent, effectiveness and legal requirements applicable to this program. We conclude the desired results and effectiveness of the program are being achieved.

Employer
Roughrider Industries PlcAccount Number
1254184**SUGGESTED IMPROVEMENTS**

is report addresses elements of the Risk Management Program where improvements are suggested and also as a reminder of the minimum requirements of the program. The purpose of these suggestions is to enhance the quality and safety effort of your program. This worksheet will indicate areas for considered improvement. An "X" indicates an area that needs to be improved.

ACCIDENT INVESTIGATION AND NEAR MISS PROGRAM

- ☒ Importance of Near Miss Program should be stressed through awareness training.
- ☐ Method(s) of reporting near miss incidents is made clear to all employees.
- ☐ Initial Incident Reports are completed with adequate information about the incident.
- ☐ Initial Incident Reports are completed and signed by the injured employee.
- ☐ Initial Incident Reports are being completed for every incident.
- ☐ Investigations are conducted in a timely manner.
- ☐ Investigation reports are completed for every incident.
- ☐ Investigation reports include identification of the cause(s).
- ☐ Investigation reports include documentation of corrective action taken to prevent recurrence of the incident. (Elimination or control of the hazard, remove, repair, replace, retrain, etc.)
- ☐ Investigation reports include management review and signature.
- ☐ Employees have been informed of the North Dakota seven-day reporting requirement.

Recommendations for upcoming premium period:

- Continue to stress the importance of Near Miss-reporting to all employees. Include explanations of what constitutes a Near Miss/Safety Concern – let them know an injury does not have to be involved for the hazard to be considered a safety concern.

GENERAL SAFETY RULES

- ☐ General safety rules are posted, regularly reviewed and updated.

Recommendations for upcoming premium period:**SAFE OPERATING PROCEDURES**

- ☐ All chief hazards are addressed with written procedures.
- ☐ Written procedures are in need of improvement/updating.

Recommendations for upcoming premium period:

RISK MANAGEMENT PROGRAM ANNUAL REVIEW (con't)

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Employer: Roughrider Industries Pie	Account Number 1254184
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DESIGNATED MEDICAL PROVIDER/EARLY REPORTING PROGRAM (optional)

- ☐ Employer has selected a DMP(s) to treat work-related injuries/illnesses.
 - ☐ Written documentation that all employees have been notified of DMP and option to add to list.
- ☐ Written documentation that employer has notified the DMP of their selection.
- ☐ All claims reported to WSI within 7 days of injury absent good cause.

Recommendations for upcoming premium period:

Roughrider Industries-PIE is under the State System, which contracts with a medical provider in the area (MedCenter One). Inmates first go to the infirmary and then are referred to the medical provider.

SUBSTANCE ABUSE PROGRAM (optional)

- ☐ Written Substance Abuse Policy in place
- ☐ Documentation is complete for supervisory training.
- ☐ Documentation is complete for employee educational training.
- ☐ Employee Assistance Program or referral plan in place.

Recommendations for upcoming premium period:

Roughrider Industries-PIE has a Substance Abuse Program under the State Penitentiary's Substance Abuse Policy.

OTHER RECOMMENDATIONS AND/OR COMMENTS:

Please contact me should you have any questions regarding this review.

Craig Hanson
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