



Internal Audit Report

of the

Modified Workers' Compensation Coverage Program

Report Date: July 30, 2010

Report No. 2011-01

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July 30, 2010

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

Members of Workforce Safety and Insurance Board of Directors

Mr. Bryan Klipfel, Director, Workforce Safety & Insurance

Transmitted herewith is the performance audit of the modified workers' compensation coverage program and safety inspections of the Roughrider Industries work programs. This report contains the results of our review for the fiscal years 2009 and 2010. The audit contains a review of Roughrider Industries' 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,

Micole Kvas
Internal Audit Director
Workforce Safety & Insurance
1600 East Century Avenue, Suite 1
Bismarck, ND 58506

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 inspections of Roughrider Industries' Prison Industry Enhancement (PIE) Certification work programs were conducted by a WSI Safety Consultant.

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: Verify excess coverage or reinsurance has been obtained.

Objective 2: Identify any claims filed for workers compensation benefits.

Objective 3: Verify premiums and other costs being collected.

Scope and Methodology

Audit fieldwork was conducted in July 2010. The audit period for which information was collected and reviewed was from July 1, 2008 through June 30, 2010. Internal Audit 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 Control departments. To achieve the audit objective, electronic documents from the employer account files were obtained from Policyholder Services and Safety/Loss Control 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.

MODIFIED WORKERS' COMPENSATION COVERAGE PROGRAM

Excess Coverage or Reinsurance

NDCC sections 65-06.2-06 and 65-06.2-07 require Roughrider Industries to secure a means of reinsuring excess costs and expenses to minimize exposure of loss to the state general fund. In addition, Roughrider Industries must secure excess coverage or reinsurance to qualify for the modified workers' compensation coverage program. NDAC section 92-01-04-02 requires the DOCR to provide annual documentation of excess or reinsurance coverage to WSI. Documented verification of excess coverage was provided to WSI on July 25, 2008, and again on June 15, 2009, for the premium periods July 1, 2008 through June 30, 2010.

Claims for Workers Compensation Benefits

All claims for workers' compensation coverage benefits must be filed according to NDCC section 65-05-01. Between the period of July 1, 2008, and June 30, 2010, there were no injury claims filed.

Minimum Premium

NDAC section 92-01-04-03 requires Roughrider Industries be billed an annual amount equal to WSI's minimum premium charge to cover the expense of issuing coverage. WSI billed and Roughrider Industries has paid the minimum annual premium of \$250 for the premium periods of July 1, 2008 through June 30, 2010.

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.

Company Name Roughrider Industries PIE	Name of Company Representative Correctional Center Staff	Telephone Number 701-253-3628
Address James River Correctional Center	Account Number	Number of Employees Onsite 1
Job Location Jamestown ND	Date 6/28/10	

Item #	Hazard(s) Identified
	<p><u>Roughrider Industries PIE Audit</u></p> <p>I met with 2 Correctional Center staff representatives at the Jamestown location regarding the PIE safety audit. They have one inmate employee working part time within the PIE project. The inmate employee has a small work station where he operates his sewing machine. The employee makes sports and athletic strap equipment. The inmate employee will leave his work station occasionally to get supplies so other areas of the shop are included in this audit.</p>
1	An electrical cord near the supplies was on the floor and crossing the aisle creating a trip hazard.
Recommendation	Cover the cord or run it over-head.
2	An eyewash station is checked weekly but not documented.
Recommendation	Document the weekly inspection on the tag attached to the eyewash station.
3	Oil and other chemicals containers were located outside the shop in a small storage cage and not labeled.
Recommendation	All chemical containers are required to be labeled.
4	Some safety concerns reported are not documented.. These should also be turned in to the safety officer for record keeping.
Recommendation	All safety concerns should be document and forwarded to the prison safety officer.
5	Near misses are reported to the supervisor and then forwarded to the prison safety officer. There is currently no follow-up process.
Recommendation	Develop and implement a process to provide follow-up to the originator of the near miss.
6	Three out of five accidents reports were not fully completed.
Recommendation	Complete all sections of the accident report.
7	A broken needle from the sewing machine has the potential of flying through the air.
Recommendation	Safety glasses are recommended to be worn while sewing.

Abatement Procedure(s)

Please correct the areas listed above.

Copy Received By	Date	WSI Representative WSI Safety Consultant	Date 6/28/10
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Company Name Roughrider Industries PIE		Name of Company Representative Prairie Industries Coordinator	Telephone Number 701-579-5100
Address Prairie Industries at Dakota Women's Correctional Rehab Center		Account Number	Number of Employees Onsite 11
Job Location New England, ND			Date July 22, 2010
Item #	Hazard(s) Identified		
	<p><u>Roughrider Industries PIE Audit</u></p> <p>On-site facility visit was conducted on July 22, 2010 at the Dakota Women's Correctional Rehab Center located in New England, ND. They have 10 inmates that perform sewing projects for (3) companies: Slings N More, Thermo-Cool, Weber Wear and Hard Water Innovations.</p> <p>This facility used to be a school and was transitioned into a correctional institution. The sewing work area is the old music/band room which is approximately 50' x 50' and there are a total of 23 work stations with sewing machines at one end of the room and a material cutting table at the other end. Also, facility offers and provides additional desk top lights, if the worker requests one, depending on the type of product they are sewing.</p> <p>They do have an incident reporting process and have a safety coordinator that investigates injuries when they occur. Facility uses SFN 50508 for incident/accident reporting purposes.</p> <p>WSI Safety Consultant found that the work area had very good housekeeping practices, central power outlet post reducing excessive cord and trip hazards. Safety glasses are provided to workers if they request them, though the supervisor indicated that if a needle does break, it does not deflect. It either stays or catches in the fabric or breaks and falls on the machine or table. The lighting is adequate and the walkways are free and clear. Workers do not overload their work station with items needing work and completed products. Very organized!</p> <p>Facility and workers acknowledged that they can and do take needed ergonomic breaks, if needed.</p>		
1	<p>Ergonomically—Work station tables appear to be set at a consistent height. Two of the women working products were short in stature and had to have chair adjusted up to work at table height making it difficult for them to properly sit with their feet firm on the floor. There have not been any ergonomic concerns filed by the workers.</p> <p>Recommendation: Consider having Ergonomic specialist evaluate workstations in regards to workers being able to maintain a neutral posture while working. Adjust table as necessary.</p>		
2	<p>The chairs being used in this area are comprised of several different models and types. Some chairs have caster wheels and used on concrete could present a hazard by moving from underneath an employee. The 4 leg base chairs being used are not as stable as 5 leg based supported chairs. Typically these types of chairs are considered a tip hazard.</p> <p>Recommendation: Facility administration may want to consider the discontinued use of these types and models of chairs. For more information on chair safety: http://www.osha.gov/SLTC/etools/computerworkstations/components_chair.html</p>		

SAFETY INSPECTION REPORT (con't)

Employer Roughrider Industries PIE	Account Number
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3	<p>This work area/project supervisor has a work station in part of the room where she has a desk, cabinets, metal filing cabinets and a cart with security monitor. The cart was found to be blocking direct access to the electrical breaker panel/emergency shut offs.</p> <p>Recommendation: Discussion between project supervisor and maintenance the time of assessment was to consider reorganizing and moving some cabinets allowing the direct access. OSHA standard below.</p> <p><u>1910.303(g)(1)</u> <i>Space about electric equipment.</i> Sufficient access and working space shall be provided and maintained about all electric equipment to permit ready and safe operation and maintenance of such equipment.</p>
4	<p>Inspection of the electrical breaker panel revealed 4 electrical breakers that were not labeled or identified on the door chart and to what function, equipment or area of the room they provided service for.</p> <p>Recommendation: Follow OSHA standard below and inspect all facility electrical panels and either contact an Electrician or conduct test to trace breaker and label accordingly.</p> <p><u>1910.303(f)(2)</u> <i>Services, feeders, and branch circuits.</i> Each service, feeder, and branch circuit, at its disconnecting means or overcurrent device, shall be legibly marked to indicate its purpose, unless located and arranged so the purpose is evident.</p>
5	<p>Inspection of the work area, store rooms and restroom electrical outlets found that there were no outlets that had ground fault protection (GFCI). Electrical breakers did not appear to be GFCI protected at the power disconnect.</p> <p>Recommendation: Visited with maintenance person to install GFCI outlets in the restroom or any other location where water or liquids are present. Safety Consultant was informed as to the possibility of an Electrician that may be scheduled in coming weeks and they will discuss with them at that time.</p> <p><u>1910.304(b)(3)(i)</u> All 125-volt, single-phase, 15- and 20-ampere receptacles installed in <u>bathrooms</u> or on rooftops shall have ground-fault circuit-interrupter protection for personnel.</p>
6	<p>Reviewed the fire extinguisher monthly inspection tag revealed that monthly visual inspection were not being done or verified by date and initialing the tag.</p> <p>Recommendation: Develop a process or delegation of responsibility to department supervisors to conduct monthly visual inspections as required by OSHA standard below. Also suggest to not only inspect cylinder pressure, but to remove extinguisher from wall mount and tip upside down and tap cylinder to keep extinguishing agent in cylinder from becoming compacted.</p> <p><u>1910.157(e)(2)</u> Portable extinguishers or hose used in lieu thereof under paragraph (d)(3) of this section shall be visually inspected monthly.</p>
7	<p>A potential fire protection hazard is the utilization of a single fire sprinkler head that is located in the NE corner of the room. It appears to be a 1.5" to 2" water line to the head which has a 3" deflector plate to provide 360 degree protection. Concern is area of coverage for this head vs. location in center of room ceiling.</p> <p>Recommendation: Contact or make referral to State Fire Marshal office for further inspection and application of NFPA Standards, due to review fire load of combustible material, location of points of egress in relation to location single sprinkler.</p>

SAFETY INSPECTION REPORT (con't)

Employer Roughrider Industries PIE	Account Number
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Abatement Procedure(s)

No corrective action or abatement time limit is being set at this time. Information from assessment will be processed and shared with responsible authority (agency) who will review hazard information listed and will develop course of corrective action.

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