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☞ Details: Legislative Audit Bureau Report 07-1: An Audit, Unemployment Reserve Fund

(FORM UPDATED: 08/11/2010)

WISCONSIN STATE LEGISLATURE ... PUBLIC HEARING - COMMITTEE RECORDS

2007-08

(session year)

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* Contents organized for archiving by: Stefanie Rose (LRB) (October 2012)



STATE OF WISCONSIN


Legislative Audit Bureau

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Janice Mueller
State Auditor

DATE: February 15, 2007

TO: Lewis Rosser and Pamela Matthews
Committee Clerks to the Joint Legislative Audit Committee

FROM: Bryan Naab 
Deputy State Auditor for Financial Audit

SUBJECT: Report 07-1: An Audit of the Unemployment Reserve Fund

Enclosed is a report on our audit of the financial statements of the Unemployment Reserve Fund for fiscal years 2005-06 and 2004-05. This audit was performed at the request of the Department of Workforce Development, which administers the Fund. We were able to provide an unqualified audit opinion on the Fund's financial statements, and we found no instances of material weaknesses in the internal control structure or material instances of noncompliance with laws and regulations.

Our transmittal letter notes that, while unemployment rates were lower during our audit period, unemployment benefit payments and other expenses continued to exceed employer contributions and other revenues. As a result, the Unemployment Reserve Fund balance continued to decline from a high of \$1.9 billion as of June 30, 2000, to \$895.0 million as of June 30, 2006. The June 30, 2006, balance is the lowest fund balance during the past 18 years. In 2005 Wisconsin Act 86, the Legislature directed the Department of Workforce Development to study the long-term financial stability of the Fund and to report to the Unemployment Insurance Advisory Council by July 1, 2007, on any measures required to maintain the Fund's stability.

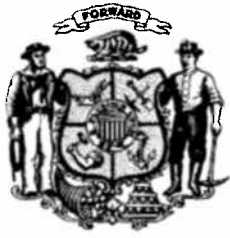
The Fund's cash balance related to taxable employers is used to determine the tax rate schedule to apply to taxable employers. The cash balance related to taxable employers is presented as a separate schedule after the notes to the financial statement. Similar to the decline in the overall fund balance, the Fund's cash balance related to taxable employers declined to \$747.2 million as of June 30, 2006. Wisconsin Statutes require the second-highest tax rate schedule to be applied when the cash balance is between \$300 million and \$900 million. Therefore, the second-highest tax rate schedule will be applied to taxable employers during calendar year 2007.

We compared information on individuals who received unemployment insurance benefits to information maintained by the Department of Corrections on prisoners in the State's custody and provided the results to unemployment insurance fraud investigators. Based on this information, it was determined that two individuals inappropriately received \$2,697 in unemployment benefit payments. The Department of Workforce Development has recently billed these individuals for the benefit overpayment. In a separate audit communication, we recommended that the departments of Workforce Development and Corrections work together to periodically identify instances of inappropriate payments to prisoners.

The report will be released on Friday, February 16, 2007 at 9:00 a.m. If you have any questions, please contact us.

BN/bm

Enclosures

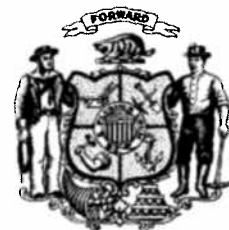


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1 East Main Street, Suite 200
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An Audit

Unemployment Reserve Fund

Department of Workforce Development

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The Bureau is a nonpartisan legislative service agency responsible for conducting financial and program evaluation audits of state agencies. The Bureau's purpose is to provide assurance to the Legislature that financial transactions and management decisions are made effectively, efficiently, and in compliance with state law and that state agencies carry out the policies of the Legislature and the Governor. Audit Bureau reports typically contain reviews of financial transactions, analyses of agency performance or public policy issues, conclusions regarding the causes of problems found, and recommendations for improvement.

Reports are submitted to the Joint Legislative Audit Committee and made available to other committees of the Legislature and to the public. The Audit Committee may arrange public hearings on the issues identified in a report and may introduce legislation in response to the audit recommendations. However, the findings, conclusions, and recommendations in the report are those of the Legislative Audit Bureau. For more information, write the Bureau at 22 E. Mifflin Street, Suite 500, Madison, WI 53703, call (608) 266-2818, or send e-mail to leg.audit.info@legis.wisconsin.gov. Electronic copies of current reports are available on line at www.legis.wisconsin.gov/lab.

State Auditor – Janice Mueller

Audit Prepared by

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Janice Mueller
State Auditor

February 16, 2007

Senator Jim Sullivan and
Representative Suzanne Jeskewitz, Co-chairpersons
Joint Legislative Audit Committee
State Capitol
Madison, Wisconsin 53702

Dear Senator Sullivan and Representative Jeskewitz:

We have completed a financial audit of the State of Wisconsin Unemployment Reserve Fund for the years ended June 30, 2006 and 2005. We performed the audit at the request of the Department of Workforce Development (DWD) and to meet our audit responsibilities under s. 13.94, Wis. Stats.

Our audit report contains our unqualified opinion on the financial statements and related notes. It does not discuss DWD's ongoing development of computer software to support the Unemployment Insurance program, which we will address in a future evaluation.

During the period of this audit, the seasonally adjusted unemployment rate was lower than in prior years and ranged between 4.5 percent and 5.0 percent. However, unemployment benefit payments and other expenses exceeded employer contributions and other revenues. Consequently, the Unemployment Reserve Fund's balance continued to decline from its high of \$1.9 billion as of June 30, 2000. The Fund's balance was \$971.0 million at the start of our audit period and \$895.0 million as of June 30, 2006. 2005 Wisconsin Act 86 directed DWD to study the long-term financial stability of the Fund and report to the Unemployment Insurance Advisory Council by July 1, 2007, on any measures required to maintain the Fund's stability.

As part of our audit, we matched data on unemployment benefit payments and individuals in the custody of the Department of Corrections. From this work, it was determined that two prisoners had inappropriately received \$2,697 in unemployment benefits. We have therefore recommended in a separate audit communication that DWD work with the Department of Corrections to periodically identify any similar instances of inappropriate benefit payments.

We appreciate the courtesy and cooperation extended to us by DWD staff during the audit.

Respectfully submitted,

Janice Mueller
State Auditor

JM/BN/ss

Audit Opinion ■

Independent Auditor's Report on the Financial Statements of the State of Wisconsin Unemployment Reserve Fund

We have audited the accompanying financial statements of the State of Wisconsin Unemployment Reserve Fund as of and for the years ended June 30, 2006 and 2005. These financial statements are the responsibility of the Unemployment Reserve Fund's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

As discussed in Note 1, the financial statements referred to in the first paragraph present only the Unemployment Reserve Fund and do not purport to, and do not, present fairly the financial position of the State of Wisconsin and the changes in its financial position and its cash flows, where applicable, in conformity with accounting principles generally accepted in the United States of America.

4 AUDIT OPINION


In our opinion, the financial statements referred to in the first paragraph present fairly, in all material respects, the financial position of the Unemployment Reserve Fund as of June 30, 2006 and 2005, and the changes in its financial position and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Our audits were conducted for the purpose of forming an opinion on the financial statements of the Unemployment Reserve Fund. The supplementary information included as Management's Discussion and Analysis on pages 5 through 11 is presented for purposes of additional analysis and is not a required part of the Unemployment Reserve Fund's financial statements. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

The accompanying Schedule of Cash Balance Related to Taxable Employers on page 27, which is also supplementary information, is presented for the purpose of disclosing the calculation of the portion of the Unemployment Reserve Fund's cash balance related to taxable employers as of June 30, 2006 and 2005. This cash balance is used to determine the unemployment tax rate schedule to be used during the following calendar year. This supplementary information is not a required part of the Unemployment Reserve Fund's financial statements. The Schedule of Cash Balance Related to Taxable Employers has been subjected to the auditing procedures applied in the audits of the financial statements and, in our opinion, is fairly stated in all material respects in relation to the financial statements taken as a whole.

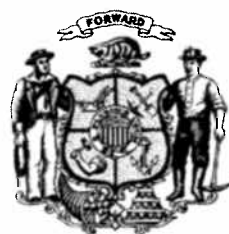
In accordance with *Government Auditing Standards*, we have also issued a report dated January 26, 2007, on our consideration of the Unemployment Reserve Fund's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report, which is presented on pages 31 and 32, is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audits.

January 26, 2007

LEGISLATIVE AUDIT BUREAU
by 
Bryan Naab
Audit Director



WISCONSIN STATE LEGISLATURE



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State of Wisconsin
Department of Workforce Development
Jim Doyle, Governor
Roberta Gassman, Secretary

March 16, 2007

The Honorable Jim Sullivan
Wisconsin State Senate
Joint Legislative Audit Committee, Co-chairperson,
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Hold Sue ✓

The Honorable Suzanna Jeskewitz,
Wisconsin State Assembly
Joint Legislative Audit Committee, Co-chairperson
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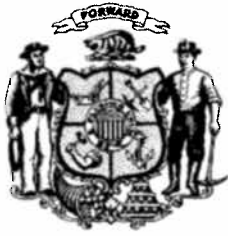
Dear Senator Sullivan and Representative Jeskewitz:

On February 16, 2007 the Legislative Audit Bureau released its audit of the State of Wisconsin Unemployment Reserve Fund. This was a regular, biennial audit undertaken at our request. The audit provided an unqualified opinion concerning the status of the Reserve Fund.

Among its findings the Audit Bureau referenced a cross match its personnel initiated between a listing of Unemployment Insurance (UI) recipients and the Department of Corrections (DOC) list of prisoners. This crossmatch determined that two prisoners had inappropriately received UI benefits. Recovery efforts are underway, in addition UI has been in contact with DOC to begin a process of regular crossmatches aimed at uncovering any inappropriate payments to prisoners. We are committed to ensuring that UI benefits are only disbursed to those legally eligible to receive them. Whenever we discover that benefits have been paid improperly, we undertake aggressive efforts to recover them, and that will certainly be true for any improper payments the crossmatch with DOC may identify in the future.

Sincerely,

Roberta Gassman
Secretary

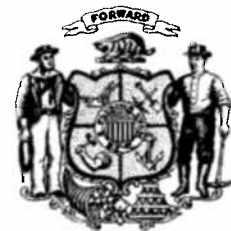


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Report of Activities of the Unemployment Insurance Advisory Council


2005 - 2006

Roberta Gassman, Secretary
Wisconsin Department of Workforce Development
February 2007

Report prepared for the
Governor and Legislative
Leadership, pursuant to
s.16.48, Wisconsin Statutes

FINANCIAL OUTLOOK

Wisconsin Unemployment Insurance Program

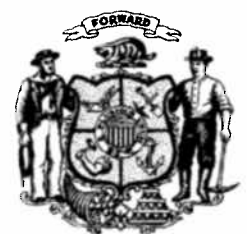


Report prepared for the
Governor and Legislative
Leadership, pursuant to
s.16.48, Wisconsin Statutes

Roberta Gassman, Secretary
Wisconsin Department of Workforce Development
February 2007
UCD-8967-P (R. 2/07)



WISCONSIN STATE LEGISLATURE





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2 inmates got jobless benefits

Fraud is uncovered during state audit

By STEVEN WALTERS
swalters@journalsentinel.com

Posted: Feb. 16, 2007

Madison - Two Wisconsin prison inmates illegally claimed and collected \$2,697 in unemployment benefits last year, auditors said Friday.

State Auditor Jan Mueller said the payments were caught when her staff compared names, birthdates and Social Security numbers of individuals paid jobless benefits for the week that ended on April 1, to state Department of Corrections records for felons who were still on supervision for that period.

Those checks are not routinely done, Mueller said.

Officials said they could not release the names of the two inmates, who were ineligible for jobless benefits because they were not available for work.

The audit triggered an investigation that found that the two inmates had intentionally lied about their eligibility for benefits. Investigators then assessed \$5,332 in forfeitures against them as a result of the fraud.

The Department of Workforce Development will recover the \$2,697 paid the inmates, said agency spokeswoman Rose Lynch.

In her audit, Mueller called for officials who run the prison system and those who administer the unemployment benefits system to periodically check records to determine how often this type of fraud occurs.

"How big the problem is, we can't quantify," Mueller said.

Lynch said the agency is developing a "cross-match" system to compare records on those receiving unemployment benefits with inmates.

"Any duplication will be investigated to determine if unemployment benefits were paid appropriately," she said.

Lynch said inmates could legally collect unemployment insurance if they have work-release privileges.

Overall, Mueller's audit of the jobless benefits system found that more than 77% of benefits paid in error in 2005 were later detected - a higher percentage than the 59% standard required by the U.S. Department of Labor.

Last year, the state paid \$819 million in jobless benefits.

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From the Feb. 17, 2007 editions of the Milwaukee Journal Sentinel
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