

Status of Resolution of Audit Findings

December 2010

Employment Security Department (ESD)

Agency: 540

Audit Report: 1003400

Finding Number: 001

Finding: The Department of Employment Security cannot account for more than \$25,000 worth of gas gift cards.

Resolution: The Department concurs with the auditor's findings and recommendations and has taken the following corrective actions:

- The WorkFirst program stopped purchasing gas gift cards.
- WorkFirst program staff reviewed the WorkFirst internal controls manual to identify ways to strengthen internal controls over program purchases. As a result, the manual was updated to reflect the changes in the gas gift card purchase policy and the changes were discussed during the monthly WorkFirst statewide teleconference. Staff from the three offices cited in this finding were in attendance at these teleconferences.
- Multiple training sessions on WorkFirst policy and program requirements, including their payment processes, were provided to staff at the three offices highlighted in the audit.
- Changes in management and program supervisors occurred at the three offices identified by the auditors. These changes were the direct result of weaknesses in internal control processes identified in this audit.
- New WorkFirst supervisors attended specialized training for new supervisors in November 2009. Training on WorkFirst program activities is ongoing for staff working on this program.

Agency Contact: Victoria DeBoer
Employment Security Department
PO Box 9046
Olympia WA 98507-9046
(360) 902-9718
vdeboer@esd.wa.gov

Status of Resolution of Audit Findings

December 2010

Employment Security Department (ESD)

Agency: 540

Audit Report: 1003400

Finding Number: 002

Finding: The Employment Security Department is not following its written policies and procedures to maximize collection of dollars owed in state unemployment taxes.

Resolution: The Department has reviewed all of the 28 accounts identified by the state auditors in their audit of noncorporate employer accounts certified as uncollectible.

After preliminary analysis, six of these accounts appear to have collection potential per Department policy. Remaining accounts either had insufficient wages to pursue collection, prior claims against the wages, or the debt had been discharged in bankruptcy.

The Department initiated debt collection action as appropriate on the six accounts, including issuance of pre-garnishment letters or serving of garnishments, and will continue to track all six accounts.

In June 2010, the Department resumed semiannual generation of the cross match report between employer accounts previously written off and wages reported to the Department. Results of this cross match report are distributed to the respective District Tax Office (DTO) with responsibility for those accounts. Each DTO is responsible for reviewing and analyzing the reports and determining potential for collection action as part of their office's overall collection management process.

Agency Contact: Victoria DeBoer
Employment Security Department
PO Box 9046
Olympia WA 98507-9046
(360) 902-9718
vdeboer@esd.wa.gov

Status of Resolution of Audit Findings

December 2010

Employment Security Department (ESD)

Agency: 540

Audit Report: 1003400

Finding Number: 003

Finding: The Employment Security Department is not following its own policies or state requirements for accounting for and safeguarding Department assets, putting itself at risk for loss of public resources.

Resolution: The Department will ensure that all state and Department policies and procedures governing the management and oversight of inventoriable assets are followed. This will include:

- Providing training to all managers on their responsibilities for asset management including a letter to all current managers reminding them of the requirements and their responsibilities.
- Maintaining all required asset inventory records including those documenting inventory custody; asset tagging; transfers; quarterly, annual, and biennial inventory; and disposal and loss of assets.
- Reinstating the quarterly report of changes in assets, sending the reports to cost center managers for verification, tracking the return of the reports, and following up on missing reports. Delinquent reports will be elevated through the management chain until received.
- Requiring cost center managers to perform an annual inventory of all assets under their control. Office Services will be providing inventory reports to each cost center and will follow up on their completion.
- Conducting an independent biennial inventory under the guidance of Office Services staff. Detailed inventory instructions will be compiled by Office Services and provided to staff responsible for conducting the inventory. Upon completion of this process, the agency inventory officer will reconcile and certify the final inventory. Any assets not located during the inventory process will be reported to the Office of Financial Management and the State Auditor's Office.
- Ensuring that all inventoriable assets identified for surplus are properly controlled and documented as required.
- Tracking and monitoring by Office Services to ensure compliance with state and agency policies and procedures applicable to asset management requirements.

Agency Contact: Victoria DeBoer
Employment Security Department
PO Box 9046
Olympia WA 98507-9046
(360) 902-9718
vdeboer@esd.wa.gov

Status of Resolution of Audit Findings

December 2010

Employment Security Department (ESD)

Agency: 540

Audit Report: 1003400

Finding Number: 004

Finding: The Employment Security Department's review of job search logs submitted by unemployment insurance claimants is not adequate to ensure eligibility for benefits. The Department does not investigate possibly falsified logs in a timely manner, or at all.

Resolution: This audit provided an opportunity for the Department to examine and assess the flow of job search logs and requirements. To ensure that possibly falsified job search logs are properly addressed, the Department initiated the following:

- As a result of a 90-day pilot, when the job search logs received from WorkSource offices are determined to be "unacceptable," a person trained in research methods who works in the Work Search Verification unit within the Unemployment Insurance Performance Audit (UIPA) unit begins work to contact the claimant and investigate the potential issue.
- When a job search contact is deemed potentially fraudulent, procedures for determining fraud follow WAC 192-100-050. If the case meets the five elements of fraud, the claimant is denied benefits and a fraud overpayment is established.
- If the five elements of fraud are not proven but UIPA finds that the claimant has not provided adequate information to establish a valid job search, UIPA denies the claimant's benefits for that week, as set out in WAC 192-180-030. This denial of benefits occurs when a claimant fails to report for a review of job search logs, fails to produce job search logs for the week being reviewed, or fails to establish that they met the minimum job search requirements established in WAC 192-180-030.
- If the job search log or contacts are not fraudulent and the claimant has not failed to provide the requested information, UIPA clears the issue.

For additional actions taken by the Department related to the review of job search logs, refer to audit report 2009 F, finding number 006, on page 82.

Agency Contact: Victoria DeBoer
Employment Security Department
PO Box 9046
Olympia WA 98507-9046
(360) 902-9718
vdeboer@esd.wa.gov

Status of Resolution of Audit Findings

December 2010

Employment Security Department (ESD)

Agency: 540

Audit Report: 2009 F

Finding Number: 005

Finding: The Employment Security Department did not comply with U.S. Department of Labor requirements for determining the accuracy of benefit payments.

Resolution: The finding and recommendation for the Benefit Accuracy Measurement (BAM) program prompted the Department to closely examine the detailed procedures for auditing unemployment insurance claims. Thorough review of the BAM investigative procedures helped ignite new ideas for process improvement.

As a result, the BAM team implemented the following process improvements in 2010:

- Improve the record keeping of documented attempts to contact the claimant or employer.
- Create and use a special "attention" stamp on all envelopes of correspondence with verbiage to encourage the claimant and employer to respond.
- Use certified mail in letters of correspondence to both claimant and employer.
- Set time-specific appointments with claimants for interviews.
- Increase the number of attempts to contact employers from two to four.
- Make a more rigorous effort to verify all job search contacts, specifically the online applications.
- Monitor investigator calls for appropriate content and follow up as needed.

Additionally, the BAM team initiated its own internal quality control process where the team meets monthly to review peer cases and give feedback that outlines successes and areas for improvement. The Department has a new BAM supervisor with an adjudication background who is leading this effort and monitoring the quality of cases more closely.

Agency Contact: Victoria DeBoer
Employment Security Department
PO Box 9046
Olympia WA 98507-9046
(360) 902-9718
vdeboer@esd.wa.gov

Employment Security Department (ESD)

Agency: 540

Audit Report: 2009 F

Finding Number: 006

Finding: The Employment Security Department does not adequately review job search logs to ensure unemployment insurance claimants are eligible for benefits.

Resolution: The Department recognizes there has been a shift in methods used to apply for jobs. Employers determine the recruitment and application methods for available positions, and most jobs now require that the applicant apply online and often to a "blind ad posting."

As a result, the Department revised regulations to address job search contacts, including contacts made through the internet. Revisions related to job search contacts were immediately incorporated into Job Search Review (JSR) program information, online resources, and training materials. Staff is advised to ask the claimant additional clarifying questions regarding their job search contacts to make sure all requirements for the contact are met.

The Department makes every reasonable effort to ensure that job search contact requirements are consistently applied, regardless of the method of contact. The Department is committed to fair and equitable treatment of all claimants.

Staff performing JSR was made aware of and have access to numerous resources that clearly define the program requirements. For example, the Department's Unemployment Insurance (UI) Division maintains a comprehensive reference website and offers numerous training opportunities for staff.

As a result of the finding, the Department implemented several monitoring procedures. Supervisory reviews of monthly JSR activity are being conducted and technical assistance provided in WorkSource offices. The Department is conducting job search log quality and performance monitoring on a weekly and monthly basis with offices selected based on workload, staffing, and results of previous monitoring conducted by Employment and Career Development Division (ECDD).

The Department's WorkSource Standards and Integration Division also independently schedules monitoring visits, which include job search log reviews, at WorkSource locations monthly. Weekly random samples of job search logs are submitted to the UI Performance Audit Unit for verification. The UI Performance Audit Unit and ECDD staffs meet monthly to discuss job search log quality, common issues, and process improvements.

Agency Contact: Victoria DeBoer
Employment Security Department
PO Box 9046
Olympia WA 98507-9046
(360) 902-9718
vdeboer@esd.wa.gov

Status of Resolution of Audit Findings

December 2010

Employment Security Department (ESD)

Agency: 540

Audit Report: 2009 F

Finding Number: 007

Finding: The Employment Security Department's internal controls are inadequate to ensure it complies with subrecipient monitoring requirements of the American Recovery and Reinvestment Act.

Resolution: The American Recovery and Reinvestment Act (ARRA) recovery funds identified in this finding were passed through to Workforce Development Councils (WDC) in accordance with Workforce Investment Act (WIA) formula calculations. All twelve of the WDCs have had long-standing contractual relationships with the Department.

The Department concurs that the Central Contractor Registration (CCR) database was not verified prior to the release of WIA ARRA funds. As noted by the auditor, the Department has verified that all twelve WDC subrecipients are properly registered with the CCR and eligible to receive ARRA funds.

For future ARRA grants, the Department will ensure that this registration is included in the WDC grant agreements authorized by the WorkSource Standards and Integration Division. This requirement will also be included in the WDC annual monitoring conducted by the Department. The fiscal office will verify this registration is current prior to releasing funds to the WDCs. The original grant agreements, including CCR registration information, will be maintained in the Department's contracts office.

Agency Contact: Victoria DeBoer
Employment Security Department
PO Box 9046
Olympia WA 98507-9046
(360) 902-9718
vdeboer@esd.wa.gov