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A Follow-Up Report on Reimbursements to the General Revenue Fund for Unemployment and Workers' Compensation Benefits Paid to State Employees

December 1996

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Key Points of Report

A Follow-Up Report on Reimbursements to the General Revenue Fund for Unemployment and Workers' Compensation Benefits Paid to State Employees

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Overall Conclusion

The timeliness of reimbursement payments continue to be a concern. Although the Texas Workforce Commission and the Office of the Attorney General, in coordination with the Comptroller of Public Accounts, implemented new monitoring procedures in fiscal year 1995, various state agencies routinely do not pay the reimbursements due within the 30-day time period established by statute. In addition, the procedures for acquiring the data necessary to identify and enforce collection of unemployment and workers' compensation reimbursements include inherent delays.

Key Facts and Findings

- As of August 17, 1996, 11 agencies with outstanding fiscal year 1995 workers' compensation reimbursement balances were identified. Payments by and/or transfers from the agencies involved should have been made by the end of October 1995. Additionally, we identified one agency listed on the delinquency report that had made payment on time, but the payment did not appear on the Comptroller's payment reports received by the Workers' Compensation Division of the Office of the Attorney General.
- The methods used to notify agencies of reimbursement payments due and to collect and track payments made by both administering agencies have improved substantially since our prior audit. However, through coordination with the administering agencies and the Comptroller's Office, opportunities to accelerate the overall processes were identified.
- For fiscal year 1995, the Texas Workforce Commission paid \$13.6 million in unemployment benefits on behalf of former state employees, of which \$6.1 million was reimbursed from Other Special Funds or local bank accounts. Likewise, the Office of the Attorney General paid \$47.3 million in workers' compensation benefits on behalf of former and current state employees, of which \$7.5 million was reimbursed from Other Special Funds or local bank accounts.

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Office of the State Auditor

Lawrence F. Alwin, CPA

This audit was conducted in accordance with Government Code, Section 321.0132.

Issues and Recommendations

Overall Conclusion

Although the Texas Workforce Commission and the Office of the Attorney General, in coordination with the Comptroller of Public Accounts (Comptroller), implemented new monitoring procedures in fiscal year 1995, various state agencies routinely do not pay the reimbursements due within the 30-day time period established by statute. In addition, the procedures for acquiring the data necessary to identify and enforce collection of unemployment and workers' compensation reimbursements include inherent delays.

For fiscal year 1995, the Texas Workforce Commission paid \$13.6 million in unemployment benefits on behalf of former state employees, of which \$6.1 million was reimbursed from Other Special Funds or local bank accounts. Likewise, the Office of the Attorney General paid \$47.3 million in workers' compensation benefits on behalf of former and current state employees, of which \$7.5 million was reimbursed from Other Special Funds or local bank accounts.

Section 1:

Outstanding Fiscal Year 1995 Reimbursement Payments Were Identified

As of August 17, 1996, 11 agencies with outstanding fiscal year 1995 workers' compensation reimbursement balances were identified. Payments by and/or transfers from the agencies involved should have been made by the end of October 1995. Additionally, we identified that one agency listed on the delinquency report as owing \$218,472 (due July 12, 1995) had made its payment on July 26, 1995. This payment did not appear on the Comptroller's payment reports received

by the Workers' Compensation Division of the Office of the Attorney General.

State agencies are required to make reimbursement payments to the Comptroller within 30 days from receipt of statements of reimbursement payments due. Upon certification of delinquent payments, the Comptroller is authorized to transfer funds to reimburse the General Revenue Fund. The Comptroller's guidelines do not contain specific enforcement procedures to encourage agency compliance. While the Texas Workforce Commission and the Office of the Attorney General administer the unemployment and workers' compensation reimbursement payment processes, respectively, the authority to enforce and collect the reimbursement payments resides with the Comptroller.

The Comptroller is hesitant to transfer monies immediately upon certification of amounts due from the Office of the Attorney General or the Texas Workforce Commission because of the lack of information available regarding which appropriations, fund sources, Program Cost Accounts, and/or other special accounts, and respective payment amounts to charge. Without this information, which can only be supplied by the agencies, the Comptroller is left to determine the source, accounts to charge, and respective amounts to transfer. This increases the risk of inaccuracies. The Comptroller also discussed the following processing concerns:

- The Uniform Statewide Accounting System (USAS) allows an agency the option of using various profiles in the system for internal purposes. Items such as Index Codes, Agency Objects, and Grant/Project numbers may be important coding elements for some agencies. The Comptroller does not receive coding data

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from the administering agencies. Therefore, if a transfer is made, the Comptroller may inadvertently use incorrect codes or no codes at all. The agency involved may not agree with the coding block chosen, and correcting entries may be required.

- Agencies may be shown as delinquent because their reimbursement payments were incorrect and/or entered incorrectly. The Comptroller must then research reported delinquencies and make corrections instead of performing a transfer.

Only one agency was identified with an outstanding fiscal year 1995 unemployment reimbursement balance (\$2,554).

Effective September 1, 1995, the General Appropriations Act General Provision Riders regulating unemployment and workers' compensation reimbursements changed. Under the riders, the total amount of funds appropriated to the Office of the Attorney General and the Texas Workforce Commission for the payment of workers' compensation and unemployment benefits was reduced. The reduction was made with the anticipation that reimbursements from the agencies would replenish the appropriate payment accounts. The delays in enforcing collections of reimbursements due could notably impact the total funds available for both the Texas Workforce Commission and the Office of the Attorney General with regards to paying unemployment and workers' compensation benefits under the new riders.

Recommendation:

We recommend that the Comptroller's Office strengthen the accounting procedures and regulations (Accounting Policy Statements

003 and 017) to specifically define enforcement actions taken by the Comptroller when both unemployment and workers' compensation reimbursement payments are certified as delinquent. The enforcement actions should include steps to transfer the funds, including standard fund sources, when amounts due are certified as delinquent for more than 60 days. This would be an incentive for agency compliance. We also recommend that the Comptroller's Office continue to follow up on each quarterly delinquent payment report received until all items are cleared, and ensure that this information is communicated to the administering agencies.

Management's Response:

Accounting Policy Statement Number 003 (Unemployment Compensation Reimbursements) and Accounting Policy Statement Number 017 (Workers Compensation Reimbursements) will be amended to reflect the specific actions that the Fund Accounting Division will take to enforce compliance when unemployment and workers' compensation reimbursement payments are certified as delinquent. A section will be added to each accounting policy statement titled "Comptroller Actions for Delinquent Reimbursements." The section will include the following specific steps:

- (1) *Upon receipt of the agency delinquency reports appropriation control officers (ACOs) in the Fund Accounting Division will notify the designated agency accounting contacts for each agency appearing on the list that a reimbursement is due. The agency will be informed that reimbursements not made within ten working days will be initiated by the Comptroller. The ACO will identify the*

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amount, the appropriation and the appropriated fund that will be charged.

- (2) *The agency will have ten days to clear up any outstanding issues with the Texas Workforce Commission or Workers' Compensation Division at the Office of the Attorney General and notify their ACO that reimbursement has been made for local funds, or that documents are submitted for Comptroller entry for funds in the state treasury.*
- (3) *If still delinquent after ten working days, a reimbursement will be processed from the delinquent agency's operating appropriations for 100 percent of the delinquent amount. The charge will be against general revenue when possible, otherwise another fund source will be used. The ACO will send a copy of the processed document to the delinquent agency.*
- (4) *The agency should reference this document in any subsequent corrections.*

Section 2:

Opportunities for Enhancement of Efficiency and Compliance in Processing Benefit Reimbursements Were Identified

The Texas Workforce Commission and the Office of the Attorney General are charged with administering the unemployment and workers' compensation reimbursement processes, respectively. Other than actual benefits expenditure information, both the Texas Workforce Commission and the Office of the Attorney General must rely on the Comptroller and the billed agencies for information to certify and report delinquent reimbursement payments. The methods used

to notify agencies of payments due and to collect and track payments made by both administering agencies have improved substantially since our prior audit (*Reimbursements to the General Revenue Fund for Unemployment and Workers' Compensation Benefits Paid to State Employees*, SAO Report No. 95-137, June 1995). However, through the coordination among the three agencies, opportunities to accelerate the overall process were identified.

Section 2-A:

Unemployment Division of the Texas Workforce Commission

In our analysis of the overall unemployment reimbursement process, it was determined that the Comptroller's estimates were untimely and often unnecessary since only the agencies have the details needed to calculate the exact reimbursement amounts due with respect to funding sources. (See Appendix 2, page 9.) Currently, the Unemployment Division of the Texas Workforce Commission relies on the Comptroller's Office to calculate estimated unemployment reimbursement amounts due. These estimates are then used as the "statement of payments due" to the agencies and as the basis for the unemployment quarterly reimbursement delinquency reports. However, it was found that Unemployment Division personnel make adjustments to approximately 50 percent of the estimated data prior to certification of the quarterly delinquency reports, which is based on actual payment data. Additionally, waiting on the estimate data delays the agency notification statements by approximately 15 days.

We also identified the following procedures that affect the efficiency of the unemployment reimbursement process:

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- Unemployment Division personnel review actual payment data on the Uniform Statewide Accounting System (USAS) daily, but delay the certification of the delinquency report each quarter until payment data has been collected through the end of the quarter. This process delays the certification of the delinquency report by approximately 45 days.
- The Unemployment Division does not track reimbursement payment dates; therefore, information regarding the timeliness of reimbursement payments is not readily available.
- The Unemployment Division personnel update delinquency reports manually. Reimbursement tracking information is maintained on the Texas Workforce Commission's electronic database. It takes two to four days to obtain a delinquency report from the system. Since payment information is received daily from the Comptroller, manual adjustments must be made to the report to account for payment information received during the turnaround. The manual manipulation of electronic reports increases the risk of information loss and inaccuracies, and also results in duplications and delays.

Recommendations:

We recommend that the management of the Unemployment Division at the Texas Workforce Commission, in coordination with the Comptroller send the unemployment benefit expenditure information statements to both the Comptroller for processing of payments estimates and to the agencies as "payment due" notifications. The estimate information received from the Comptroller would still be the basis for the quarterly delinquency reports. However, the

approximate 15-day delay in processing agency notification letters would be eliminated. We also recommend that the delinquency report be certified and delivered to the Comptroller's Office within ten working days after the agency payments are due each quarter.

In addition, we recommend the Unemployment Division personnel download expenditure information to a personal computer-based system so that delinquency information can be tracked more efficiently. We suggest the delinquency report include the following elements:

- Agency name
- Agency number
- Amount of expenditures paid by the oversight agency
- Date expenditure notices were sent from the oversight agency to the agencies
- Date payment information from the agencies was received by the oversight agency
- Information regarding payments made by the agency to the Comptroller (even if the reimbursement is zero) to include such detail as:
 - Amount owed
 - Amount paid
 - Funding source information (if available)

The specific payment elements will identify non-respondents, partial payments, and non-payments, and decrease the number of correcting entries to agency records.

Managements' Responses:

Texas Workforce Commission - We agree with the recommendation of sending the "Reimbursable Unemployment Benefits Statement" (Form C-58R) to the state

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agencies as the sole payment due notification each quarter. Our current procedure of waiting for the Comptroller's expenditure estimates to generate the "Fund Source Statement" (Form C-58R2) delays the billing process by approximately 15 days. This change in procedure will allow us to bill the agencies within ten (10) days from the end of the quarter.

We also agree with the recommendation to certify and deliver the delinquency report to the Comptroller's office within ten (10) working days after the agency payments are due each quarter and to download the expenditure information to a personal computer-based system allowing for more efficient tracking and updating of report information. This new system delinquency report will include (1) agency name (2) agency number (3) amount of expenditures paid by TWC for each agency (4) billing date (5) payment date (6) payment amount (7) amount still owed and (8) funding source (to be provided by the individual state agency).

These procedures are being implemented immediately and will be in effect for the fourth quarter of 1996. The statements for this quarter will be mailed in January, 1997.

Comptroller of Public Accounts - N/A

Section 2-B:

Workers' Compensation Division of the Office of the Attorney General

The reimbursement tracking procedures implemented in 1995 by the Workers' Compensation Division of the Office of the Attorney General improved the overall tracking of payments significantly. Still, the quarterly procedures for the processing of agency notifications through the certification of the delinquent payments report, including

the agency 30-day payment period, takes approximately 75 days. (See Appendix 3, page 10.) The efficiency in certifying payment delinquencies is limited by the payment and funding source information provided by the Comptroller and the billed agencies.

The Workers' Compensation Division personnel use actual payment information from the Comptroller to reconcile reimbursement payments. This information is received monthly covering payments made from the first of the month through the end of the month. Since the agency notifications are received by the agencies usually around the 15th of the month, the certification of the delinquency report could be accelerated by approximately 15 days if the payment information from the Comptroller covered the period from the 15th of the previous month to the 15th of the current month. This 15-day efficiency would ensure that delinquency reports are processed prior to the end of the quarter.

Recommendation:

We recommend that the management of the Workers' Compensation Division at the Office of the Attorney General consider requesting reimbursement payment information from the Comptroller covering the period from the 15th of the previous month to the 15th of the current month to increase efficiency in the certification of quarterly delinquency reports.

Managements' Responses:

Office of the Attorney General - We agree with the Office of the State Auditor's recommendation that the OAG should request reimbursement payment information from the Comptroller covering the period from the 15th

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of the previous month to the 15th of the current month to increase efficiency in certifying quarterly delinquency reports. The OAG submitted this request to the Comptroller on October 10, 1996. The Comptroller has agreed to provide the reimbursement payment reports on the requested schedule.

Comptroller of Public Accounts - *In a letter dated October 09, 1996 the Workers'*

Compensation Division at the Office of the Attorney General requested reimbursement payment information currently received from the Comptroller for the period beginning the first to the end of each month be changed to the period from the 15th of the previous month to the 14th of the current month. The request was approved and the Comptroller is now providing the information at this interval.

Appendices

Appendix 1:

Objectives, Scope, Background, and Methodology

Objectives

Our audit objectives were to:

- Follow up on recommendations identified during our review of fiscal years 1993 and 1994 workers' compensation and unemployment reimbursements, which were reported in *Reimbursements to the General Revenue Fund for Unemployment and Workers' Compensation Benefits Paid to State Employees* (SAO Report No. 95-137, June 1995).
- Identify opportunities for enhanced efficiency and compliance.

Scope

The scope of this audit included a review and analysis of:

- Unemployment reimbursement process (Appendix 2, page 9)
- Workers' compensation reimbursement process (Appendix 3, page 10)
- Role of the Texas Workforce Commission (for unemployment)
- Role of the Office of the Attorney General (for workers' compensation)
- Role of the Comptroller of Public Accounts (unemployment and workers' compensation)
- Delinquent payments for fiscal year 1995

Background

The General Appropriations Act, 73rd Legislature, Article V, Sections 55 and 57 mandates that the General Revenue Fund be reimbursed for workers' compensation and unemployment benefits paid by the Office of the Attorney General or the Texas Workforce Commission on behalf of state employees whose payroll warrants were paid in part or in full from Other Special Funds or local funds.

During the time frame of operations covered by this audit, the roles of the Texas Workforce Commission and the Office of the Attorney General were to administer the unemployment and workers' compensation reimbursement payment processes (respectively). The authority to enforce and collect the reimbursement payments resides with the Comptroller of Public Accounts.

Methodology

The methodology used on this audit consisted of collecting, analyzing, and evaluating information against preestablished criteria.

Information collected:

- Interviews with staff members of the Office of the Attorney General
- Interviews with staff members of the Texas Workforce Commission
- Interviews with staff members of the Comptroller of Public Accounts
- Documentary evidence including:
 - State statutes and regulations
 - Prior-year audit report
 - Comptroller's Accounting Policy Statements 003 and 017

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- Electronic and hard-copy delinquency data from the Office of the Attorney General
- Hard-copy delinquency data from the Texas Workforce Commission
- Procedure documentation from the Office of the Attorney General, the Texas Workforce Commission, and the Comptroller of Public Accounts

Analysis procedures:

- Mathematical evaluation of delinquent reimbursement payment information (A Microsoft Access 2.0 database was built, the data was queried, and outstanding reimbursement payments were identified.)
- Review of reimbursement tracking processes (shown in Appendices 2 and 3) established by the Texas Workforce Commission and the Office of the Attorney General

Criteria used and reference list:

- General Appropriations Act, 73rd Legislature, Article V, Sections 55 and 57.
- General Appropriations Act, 74th Legislature, Article IX, Sections 74 and 75.

- State of Texas. Comptroller of Public Accounts. *Accounting Policy Statement 003*, June 1, 1996.
- _____. Comptroller of Public Accounts. *Accounting Policy Statement 017*, June 1, 1996.
- _____. State Auditor's Office. Report No. 95-137, *Reimbursements to the General Revenue Fund for Unemployment and Workers' Compensation Benefits Paid to State Employees*, June 1995.

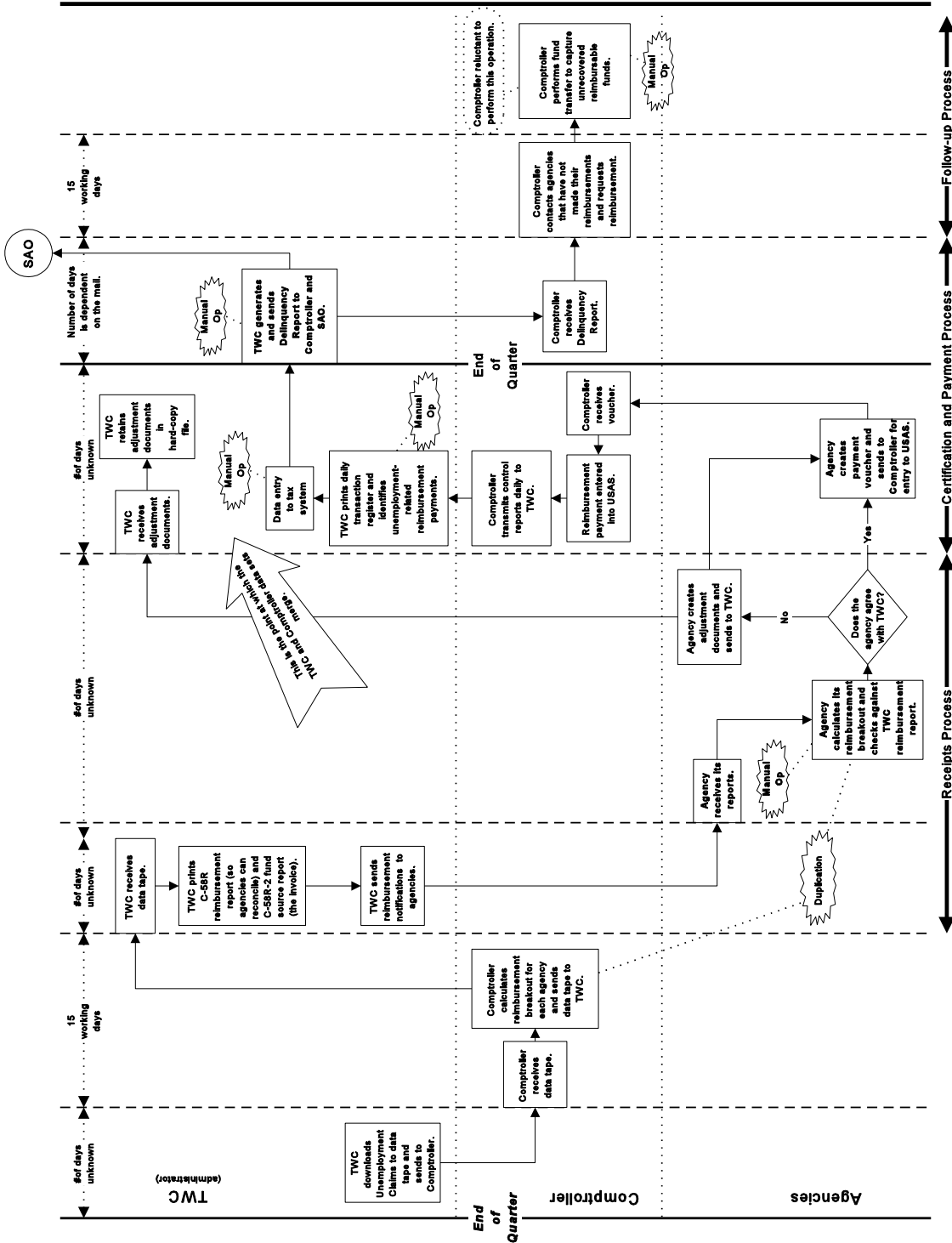
Fieldwork was conducted from July 15, 1996, through August 17, 1996. We did not verify the accuracy of the data submitted by the Office of the Attorney General and the Texas Workforce Commission. Additional follow-up work was performed October 1 through 4, 1996, to verify the accuracy of certain key amounts. Other than this exception, the audit was conducted in accordance with generally accepted government auditing standards.

The audit work was performed by the following members of the State Auditor's staff:

- Linda Newsom, CFE (Project Manager)
- Gary Leach, MBA
- Arthur Cheung, MPA
- Frank Vito, CPA (Audit Manager)
- Craig Kinton, CPA (Director)

Appendices

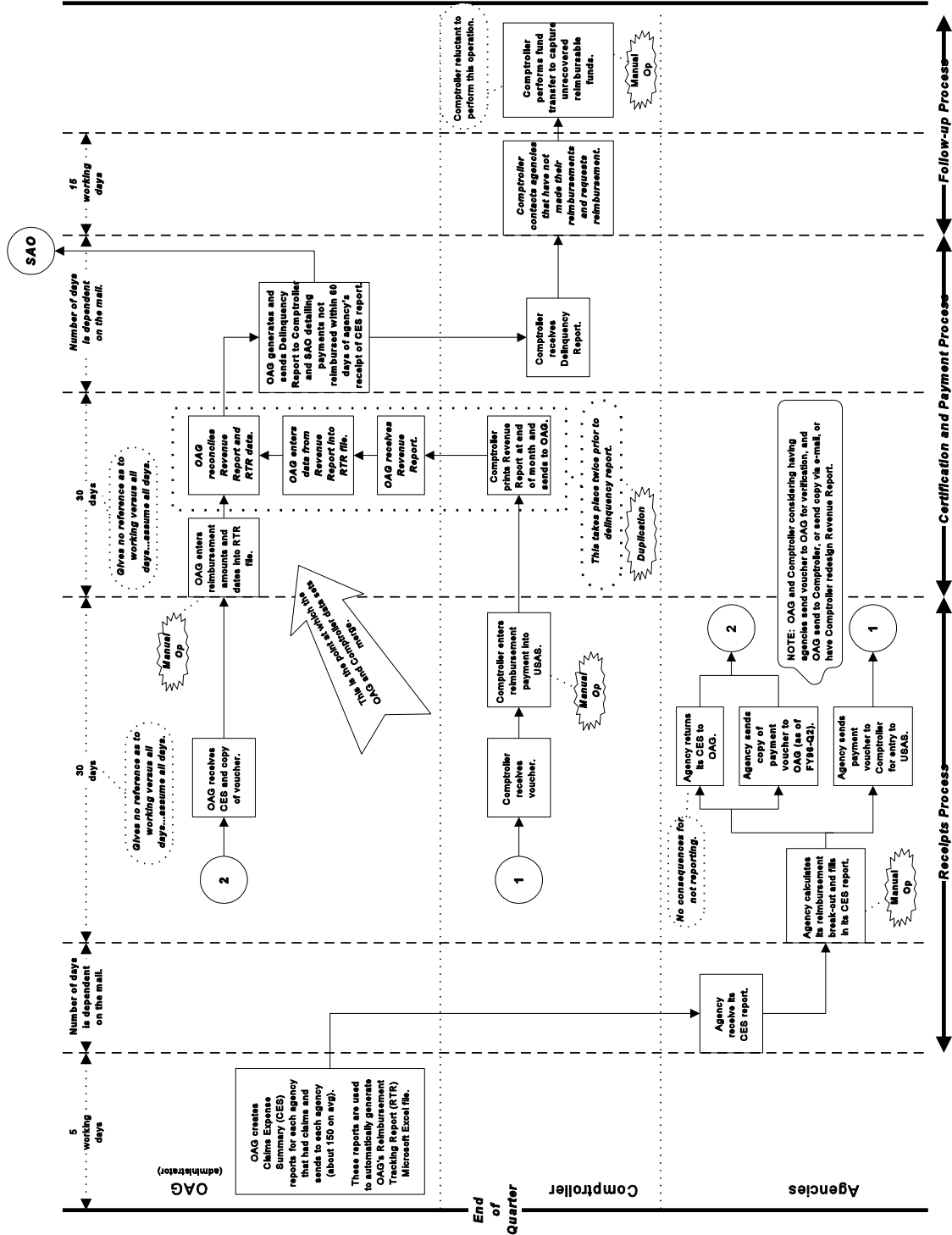
Appendix 2: Current Reimbursement Procedure: Unemployment



TWC denotes Texas Workforce Commission.

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Appendix 3: Current Reimbursement Procedure: Workers' Compensation



OAG denotes Office of the Attorney General.

A FOLLOW-UP REPORT ON

REIMBURSEMENTS TO THE GENERAL REVENUE FUND FOR

UNEMPLOYMENT AND WORKERS' COMPENSATION BENEFITS PAID TO STATE EMPLOYEES