

LBA Financial Audit Report Summary:

Department Of Employment Security, Financial And Compliance Audit Report For The Year Ended June 30, 1998

The reporting entity of this audit and audit report was the Department of Employment Security (Department) and its administratively attached Appellate Board. The Department's business functions include the operation of a free public employment service, the payment of unemployment compensation benefits and collection of the tax that funds those payments, and the development and dissemination of labor market information.

Chapter 99 of the Laws of 1935 provided for the establishment and administration of unemployment compensation. The current enabling statute for the Department is RSA 282-A:107 which established the Department including an Unemployment Compensation Bureau, an Employment Service Bureau, and an Economic and Labor Market Information Bureau.

The administrative operations of the Department are under the supervision and direction of the Commissioner who is appointed by the Governor, with the consent and advice of the Council, to a five-year term.

The Department's headquarters is located at 32 South Main Street in Concord. During the year ended June 30, 1998, the Department also operated a network of thirteen local offices located throughout the state. Each local office offered a range of services to employers and job seekers.

The Department is funded by Special Fund appropriations. Most of the Department's Special Fund revenue was derived from federal programs. The Department is also trustee of the Unemployment Trust Fund, a dedicated trust fund that is maintained by employer taxes. Unemployment compensation benefits are paid from this trust fund. The actual financial activity of the Department, as reported in the Special Fund and the Unemployment Trust Fund for the fiscal year ended June 30, 1998, is summarized in the following table.

Summary Of Revenues And Expenditures
Fiscal Year Ended June 30, 1998
(in thousands)

	<u>Special Fund</u>	<u>Unemployment Trust Fund</u>	<u>Combined Total</u>
Total Revenues	<u>\$ 20,610</u>	<u>\$ 46,369</u>	<u>\$ 66,979</u>
Total Expenditures	<u>\$ 19,730</u>	<u>\$ 31,870</u>	<u>\$ 51,600</u>
Excess (Deficiency) Of Revenues Over (Under) Expenditures	<u>\$ 880</u>	<u>\$ 14,499</u>	<u>\$ 15,379</u>

The audit report included auditor's reports on compliance and on internal control over financial reporting and on management issues. The following table lists the topics of the comments in the report.

Internal Control Comments

Reportable Conditions

- Procedures For Requesting Funds From The Unemployment Trust Fund Account Should Be Documented
- Benefit Accuracy Measurement (BAM) System Should Be Tested
- Procedure Needed To Resolve Combined Wage Claim Payable Accounting Disagreement
- Use Of Intragovernmental Payment Vouchers Should Be Considered
- Timing Of Revolving Account Reimbursements Should Be Evaluated

Compliance Comments

State Compliance

- Administrative Rules Required By RSA 541-A:16 Should Be Adopted
- Annual Audit Requirement Should Be Clarified
- Administrative Rules For Appellate Board Procedures Should Be Adopted
- Agreement With Appellate Board Should Be Documented

Federal Compliance

- Procedures Needed To Enable Aging Of Benefit Overpayment Accounts Receivable

Management Issues Comments

- Disaster Recovery Plan Needed
- Year 2000 Compliance Status
- Amendments To Compensating Balance Account Contract Should Be In Writing

The auditor's report on the Department's financial statements was qualified due to the lack of presentation of the financial position of the Department in the Special Fund.