

LBA Financial Audit Report Summary:

**Department of Employment Security Financial Audit Report for the Fiscal Year Ended
June 30, 2009**

Reporting Entity And Scope

The reporting entity of this audit and audit report is the New Hampshire Department of Employment Security. The scope of this audit and audit report includes the financial activity of the Department of Employment Security for the fiscal year ended June 30, 2009. Unless otherwise indicated, reference to the Department or auditee refers to the Department of Employment Security.

Organization

The New Hampshire Department of Employment Security (Department) is a federally funded State agency. In 1933, the Wagner-Peyser Act passed leading to the creation of the State Employment Service, first known as the National Reemployment Service. In 1935, the Social Security Act passed. Title III and Title IX of the Social Security Act establish the framework for the states to pass laws setting up unemployment compensation systems. In November of 1935, New Hampshire Unemployment Law became effective.

The current enabling statute for the Department of Employment Security is RSA 282-A:107 which establishes the Department including an Unemployment Compensation Bureau, an Employment Service Bureau, and an Economic and Labor Market Information Bureau. Each bureau is responsible for the discharge of its distinct functions and is a separate administrative unit with respect to personnel, budget, and duties except so far as the Commissioner of the Department may find such separation is impractical.

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 Executive Council, to a five-year term. Each bureau is administered by a full-time administrator who is subject to the supervision and direction of the Commissioner.

RSA 282-A:128 established the Advisory Council on Unemployment Compensation, within the Unemployment Compensation Bureau, to aid the Commissioner in formulating policies and discussing problems related to the administration of the unemployment compensation statutes and in assuring impartiality and freedom from political influence in the solution of such problems.

RSA 282-A:62 established the Appellate Board. Its purpose is to hear appeals from parties to benefit claimant determinations. The Board is administratively attached to the Department for organizational purposes but operates independently of the Department.

The Department's headquarters is located at 32 South Main Street in Concord. The Department also operates a network of thirteen local offices located throughout the State. Each local office offers a range of services to employers and job seekers.

At June 30, 2009, the Department had five unclassified, 307 classified, and 87 temporary employees.

Responsibilities

The mission of the Department is to:

- Operate a free public employment service through a statewide network of job and information centers,

providing a broad range of assisted and self-directed employment and career related services,
and

labor market information to all customers;
- Pay unemployment compensation benefits in a timely manner to eligible claimants and collect the tax

which funds these payments; and
- Develop and disseminate labor market information and provide measurements of labor market

outcome to assist local and state officials, private employers, educators and trainers, and the public in

making decisions that promote economic development and the efficient use of state labor resources.

The Department's bureaus and their mission statements/purpose are listed below:

Unemployment Compensation Bureau (UCB)

The mission of the Unemployment Compensation Bureau is to:

- Pay benefits to eligible claimants temporarily unemployed or underemployed through no fault of their

own. Benefits are paid to former employees of private industry, state and local governments.

- Collect taxes from employers to fund the benefit payments.

Employment Service Bureau and Operations (ESB)

The mission of the Employment Service Bureau and Operations is to: Operate a free public employment service which benefits the job seeker, the employer, and the economy, by helping people find work through work search programs, employment information and economic and labor market information; and by assisting employers with job openings, and economic and labor market information which benefits the employer in making informed decisions about their business, relative to the economy.

Economic and Labor Market Information (ELMI) Bureau

The Bureau develops and disseminates labor market information and measures labor market outcomes to assist public officials, private employers, educators and trainers, and the public in making decisions that promote economic opportunity and the efficient use of state labor resources. ELMI is the resource for employment statistics, demographics, and economic and labor market information in New Hampshire, including the unemployment rate.

Funding

The financial activity of the Department of Employment Security is accounted for in the General and Unemployment Compensation Funds of the State of New Hampshire. A summary of the Department’s revenues and expenditures/expenses for the fiscal year ended June 30, 2009 is shown in the following schedule.

**Summary Of Revenues And Expenditures/Expenses
Fiscal Year Ended June 30, 2009**

	<u>General Fund</u>	<u>Unemployment Compensation Fund</u>	<u>Combined Total</u>
Total Revenues	<u>\$ 35,472,559</u>	<u>\$ 165,895,781</u>	<u>\$ 201,368,340</u>
Total Expenditures/Expenses	<u>\$ 37,763,760</u>	<u>\$ 280,385,706</u>	<u>\$ 318,149,466</u>
Excess (Deficiency) Of Revenues Over (Under) Expenditures/Expenses	<u>\$ (2,291,201)</u>	<u>\$ (114,489,925)</u>	<u>\$ (116,781,126)</u>

The auditor’s report on the Department Of Employment Security’s financial statements was qualified, as the financial statements do not constitute a complete financial presentation of the Department in the General Fund.

The audit report includes an auditor's report on internal control over financial reporting and on compliance and other matters and an auditor's report on management issues. The following is a list of the comments in the report.

Internal Control Comments

Significant Deficiencies

- Financial Accounting And Reporting Policies And Procedures Should Be Established For The Unemployment Compensation Fund
- Controls Over Employer Refunds Should Be Improved
- Controls Over Adjustments To Taxpayer Records Should Be Improved
- Feasibility Of Identifying And Investigating Potential Reporting Errors On Employer Tax And Wage Reports Should Be Explored
- Formal And Authorized Policies And Procedures Manual Should Be Established For The Department's Contributions Unit
- Policies And Procedures Should Be Expanded For Delinquent Employer Accounts
- Verification Control Over Receipts Should Be Improved
- Procedures Should Be Implemented To Identify All Fiscal Year End AccountsReceivable
- Proper Business Ethics And Controls Should Be Emphasized
- Monitoring Of Changes In Employee Health Benefit Enrollments Should Be Improved
- Monitoring Of Payroll Control Activities Should Be Improved
- Controls Over Pay Rates In Federal Cost Accounting System Should Be Implemented
- Controls Over The Purchase, Receipt, And Use Of Supplies Should Be Improved

Compliance Comments

Federal Compliance Comments

- Employment Services Controls Should Be Reestablished
- Benefit Payment And Fraud Control Unit Should Be On Task
- Benefit Accuracy Measurement Program Should Be Resumed
- Benefit Accuracy Measurement Files Should Be Complete
- Federal Audit Requirement Should Be Met
- Policies And Procedures Should Be Established For Identifying Suspended Or Debarred Parties

State Compliance Comments

- Administrative Rules Should Be Adopted
- Procedures Should Be Established To Support The Timely Filing Of Statements Of Financial Interests

Management Issues

- Unemployment Insurance System Reporting Issues Should Be Resolved
- Banking Agreements Should Be Reviewed
- Use Of Manual Leave Card Should Be Reviewed