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AUDITOR GENERAL

STATE OF ARIZONA
OFFICE OF THE
AUDITOR GENERAL

WILLIAM THOMSON
DEPUTY AUDITOR GENERAL

September 18, 2006

The Honorable Laura Knaperek, Chair
Joint Legislative Audit Committee

The Honorable Robert Blendu, Vice Chair
Joint Legislative Audit Committee

Dear Representative Knaperek and Senator Blendu:

Our Office has recently completed an 18-month followup of the Department of Economic Security—Division of Employment and Rehabilitation Services—Unemployment Insurance Program, regarding the implementation status of the 23 audit recommendations (including sub-parts of the recommendations) presented in the performance audit report released in January 2005 (Auditor General Report No. 05-01). As the attached grid indicates:

- All 23 recommendations have been implemented.

Unless otherwise directed by the Joint Legislative Audit Committee, this report concludes our follow-up work on the Department's efforts to implement the recommendations from the January 2005 performance audit report.

Sincerely,

Debbie Davenport
Auditor General

DD:Acm
Attachment

cc: Tracy Wareing, Director
Department of Economic Security

DEPARTMENT OF ECONOMIC SECURITY
Division of Employment and Rehabilitation Services–Unemployment Insurance Program
18-Month Follow-Up Report To
Auditor General Report No. 05-01

FINDING 1: Division should improve eligibility determination accuracy

Recommendation	Status of Implementing Recommendation	Explanation for Recommendations That Have Not Been Implemented
1. The Division should regularly analyze data from the BAM program to determine the causes of errors and use the results to train staff in an effort to reduce errors.	Implemented at 18 Months	
2. The Division should simplify and reduce the number of reasons adjudicators must select from in making determinations.	Implemented at 6 Months	
3. The Division should establish supervisory review standards in its formal policies and procedures.	Implemented at 18 Months	
4. The Division should continue its efforts to provide additional training for supervisors on the Benefits Timeliness and Quality standards to ensure that they apply them correctly during supervisory reviews.	Implemented at 6 Months	
5. The Division should consider cross-training adjudicators and claims agents and rotating them through the adjudications and initial claims units in the call centers.	Implemented at 6 Months	

DEPARTMENT OF ECONOMIC SECURITY
Division of Employment and Rehabilitation Services–Unemployment Insurance Program
18-Month Follow-Up Report To
Auditor General Report No. 05-01

FINDING 1: Division should improve eligibility determination accuracy (concl'd)

Recommendation	Status of Implementing Recommendation	Explanation for Recommendations That Have Not Been Implemented
6. The Division should consider turning some of its current, temporary part-time positions into permanent full-time or part-time positions that would qualify for employee benefits and hiring qualified individuals from outside the UI program as adjudicators.	Implemented at 6 Months	

DEPARTMENT OF ECONOMIC SECURITY
Division of Employment and Rehabilitation Services–Unemployment Insurance Program
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FINDING 2: Division provided inaccurate employer tax information to IRS

Recommendation	Status of Implementing Recommendation	Explanation for Recommendations That Have Not Been Implemented
1. The Division should implement a quality control program to improve the accuracy of data it submits to the IRS by:		
a. Following IRS requirements to conduct an annual quality review of its FUTA certification computer program;	Implemented at 18 Months	
b. Conducting a targeted review related to errors discovered during the audit;	Implemented at 18 Months	
c. Documenting the results of its reviews;	Implemented at 18 Months	
d. Correcting errors discovered in its reviews; and	Implemented at 18 Months	
e. Carefully testing any program changes made to correct these errors.	Implemented at 18 Months	
2. The Division should develop a system to track information related to FUTA recertification requests, including the employer's state account number, federal identification number, and the reason for the FUTA recertification. The Division should use this information to determine if any programming errors exist and then correct them.	Implemented at 18 Months	

DEPARTMENT OF ECONOMIC SECURITY
Division of Employment and Rehabilitation Services–Unemployment Insurance Program
18-Month Follow-Up Report To
Auditor General Report No. 05-01

FINDING 2: Division provided inaccurate employer tax information to IRS (concl'd)

Recommendation	Status of Implementing Recommendation	Explanation for Recommendations That Have Not Been Implemented
3. The Division should update and revise its FUTA certification policies and procedures and ensure that staff follow them.	Implemented at 6 Months	

DEPARTMENT OF ECONOMIC SECURITY
Division of Employment and Rehabilitation Services–Unemployment Insurance Program
18-Month Follow-Up Report To
Auditor General Report No. 05-01

FINDING 3: Division should improve process for determining employer tax liability

Recommendation	Status of Implementing Recommendation	Explanation for Recommendations That Have Not Been Implemented
1. To help improve timeliness, the Division should continue its efforts to implement an automated application transmittal system.	Implemented at 6 Months	
2. The Division should develop and implement a formal policies and procedures manual for tax liability determinations to help improve timeliness and to help ensure that staff consistently apply state and federal requirements.	Implemented at 6 Months	
3. The Division should implement an ongoing training program to help ensure that staff are consistently and accurately following procedures when making tax liability determinations.	Implemented at 18 Months	
4. The Division should continue its efforts to fill tax determination management and supervisory positions to help ensure that procedures are followed and to verify compliance with state and federal requirements.	Implemented at 6 Months	
5. The Division should establish a policy to fully document its reasons for removing cases from the TPS list of failed cases to ensure that outside parties can confirm that its decisions to do so are valid and appropriate.	Implemented at 18 Months	

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Division of Employment and Rehabilitation Services–Unemployment Insurance Program
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FINDING 4: Division should improve management of employer refunds and audits

Recommendation	Status of Implementing Recommendation	Explanation for Recommendations That Have Not Been Implemented
1. To help reduce staff time in reviewing data entry errors and to ensure that employers are notified of legitimate refunds, the Division should conduct a comprehensive analysis of its pending refunds list to verify that it is accurate and current with the employer database.	Implemented at 18 Months	
2. To help ensure that refunds are efficiently and accurately issued to employers, the Division should update its procedures, fill vacant positions, and provide ongoing training to experienced staff.	Implemented at 18 Months	
3. Once the Division has verified the accuracy of its pending refunds list, it should develop an effective system to notify employers of credit balances to ensure that they receive refunds in a timely manner.	Implemented at 6 Months	
4. To help improve its process for conducting employer audits, the Division should continue its efforts to provide ongoing training to its auditors.	Implemented at 6 Months	
5. The Division should continue its efforts to implement an automated audit system to help ensure that audit standards and practices are followed and help allow for more efficient processing of employer audit data.	Implemented at 18 Months	