

## EXECUTIVE DIGEST

# UNEMPLOYMENT AGENCY

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### INTRODUCTION

This report, issued in September 2001, contains the results of our performance audit\* of the Unemployment Agency (UA), Department of Consumer and Industry Services.

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### AUDIT PURPOSE

This performance audit was conducted as part of the constitutional responsibility of the Office of the Auditor General. Performance audits are conducted on a priority basis related to the potential for improving effectiveness\* and efficiency\*.

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### BACKGROUND

UA was created as the Michigan Employment Security Commission (MESC). MESC was created by the Michigan Employment Security Act of 1936 (Sections 421.1 - 421.75 of the *Michigan Compiled Laws*). Executive Order Nos. 1994-2, 1995-8, 1997-12, and 1997-18 resulted in the creation of UA within the Department of Consumer and Industry Services. Also, the job training functions formerly administered with the Unemployment Insurance Program were transferred to the Michigan Jobs Commission. The primary activity of UA is the payment of unemployment benefits and the collection of unemployment taxes.

For fiscal year 1999-2000, UA expended approximately \$906 million from the Unemployment Compensation Fund and \$109 million from the Administration Fund. As of February 28, 2001, UA had 1,189 employees.

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AUDIT OBJECTIVES  
AND CONCLUSIONS

**Audit Objective:** To assess the effectiveness of UA in the payment of unemployment benefits in compliance with applicable laws and regulations.

**Conclusion:** We concluded that UA was generally effective in the payment of unemployment benefits. However, we noted a reportable condition\* related to accounts receivable (Finding 1).

**Audit Objective:** To assess the effectiveness and efficiency of UA in collecting unemployment taxes in compliance with applicable laws and regulations.

**Conclusion:** We concluded that UA was generally effective and efficient in collecting unemployment taxes in compliance with applicable laws and regulations. However, we noted reportable conditions related to information from the Department of Treasury, collection of delinquent unemployment taxes, and automated information systems (Findings 2 through 4).

**Audit Objective:** To assess the adequacy of UA's monitoring of its progress towards achieving complete customer satisfaction.

**Conclusion:** We concluded that UA had adequate monitoring of customer satisfaction. UA established three-year strategic goals\* including a goal of improving customer satisfaction to 94.0% by December 31, 2001. Surveys in 2000 and 1998 of customer satisfaction of employers that pay unemployment taxes and of jobless

workers collecting unemployment benefits had the following results:

	<u>Customer Satisfaction</u>	
	<u>2000</u>	<u>1998</u>
Employers paying unemployment taxes	71.7%	86.8%
Jobless workers collecting unemployment benefits	90.0%	91.0%

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**AUDIT SCOPE AND  
METHODOLOGY**

Our audit scope was to examine the program and other records of the Unemployment Agency. Our audit was conducted in accordance with *Government Auditing Standards* issued by the Comptroller General of the United States and, accordingly, included such tests of the records and such other auditing procedures as we considered necessary in the circumstances.

Our methodology included examining UA's records for the period October 1, 1998 through February 28, 2001. Our methodology also included a preliminary review, which consisted of interviewing various personnel and reviewing reports and procedures to gain an understanding of and to form a basis for selecting UA operations to audit. We also reviewed the goals and objectives\* of UA as they related to its mission\*.

We reviewed a sample of unemployment benefit payments for documentation of compliance with applicable requirements. We also reviewed a sample of tax reports, recalculated the taxes and tax rates, and reviewed the collection of delinquent accounts. In addition, we reviewed UA surveys of customers to assess customer satisfaction and changes made to improve customer satisfaction.

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**AGENCY RESPONSES  
AND PRIOR AUDIT  
FOLLOW-UP**

Our audit report contains 4 findings and 5 corresponding recommendations. UA's preliminary response indicated that it agrees with all of our findings.

UA complied with the 10 prior audit recommendations included within the scope of our current audit.