

An Audit Report On

Reimbursements to the General Revenue Fund for Unemployment and Workers' Compensation Benefits Paid to State Employees



Office of the State Auditor
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Key Points of Report

An Audit Report On Reimbursements To The General Revenue Fund For Unemployment And Workers' Compensation Benefits Paid To State Employees

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Key Facts And Findings

- Seven audited agencies reimbursed the State for \$8.8 million, or nearly 94 percent, of their calculated amounts due for fiscal years 1993 and 1994.
- Forty-six percent of the unemployment and workers' compensation reimbursement payments were late during fiscal years 1993 and 1994. Late reimbursement payments ranged from 2 to 392 days late. Late or missed reimbursements could be eliminated by changing the billing/reimbursement system to provide for immediate reimbursements to the General Revenue Fund.
- Funds were transferred from an agency which was late with its reimbursements on only one occasion. This resulted in a transfer of \$388,000 to the General Revenue Fund in fiscal year 1994.
- More effective monitoring by the Texas Employment Commission and the Office of the Attorney General, as well as by individual agency upper level management, could have improved the timeliness of reimbursements during fiscal years 1993 and 1994.

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This audit was conducted in accordance with Senate Bill No. 5, (General Appropriations Act), 73rd Legislature, Regular Session, Article V, §§ 55 and 57.

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Executive Summary

Agencies Are Generally Reimbursing the State For Unemployment And Workers' Compensation Benefits Paid To Employees Whose Salary Sources Were From Funds Other Than The General Revenue Fund

Seven audited state agencies reimbursed the State a total of \$8.8 million or about 94 percent of their calculated amounts due of approximately \$9.4 million for unemployment and workers' compensation benefits paid during fiscal years 1993 and 1994. We found a net shortage of \$640,103 between our calculated amount due to the General Revenue Fund and the amount actually reimbursed by the agencies. Of this amount, agencies processed \$388,455 in reimbursements to the General Revenue Fund during our audit. The Texas Department of Criminal Justice owes \$184,000 of the remaining \$251,648.

Nearly Half Of Agency Reimbursements Did Not Occur Within The 30-Day Time Period Established By Statute

Forty-six percent of reimbursement payments were made after the 30-day time period allowed by statute had expired. Late reimbursements ranged from 2 to 392 days late and were nearly evenly split between unemployment and workers' compensation reimbursements.

Late or missed reimbursements could be eliminated by changing the billing/reimbursement system. The Comptroller of Public Accounts could calculate estimated payments using agency payroll information and automatically transfer the billed amount from the agencies into the General Revenue

Fund (001). Agencies could then review the billings for accuracy and request any necessary changes in the amounts transferred. This system also would eliminate the need for the Texas Employment Commission and the Office of the Attorney General to monitor the reimbursement system. Nevertheless, procedures instituted by the Comptroller, Attorney General, and Texas Employment Commission at the beginning of 1995 may produce more timely reimbursements. These agencies have asked to be able to evaluate these procedures before changing them again.

Agencies Are Accurately Recording The Fund Source For Employee Salaries

Each audited agency was accurately recording the fund source for employee salaries. Salary source information is being used by the Comptroller of Public Accounts to calculate estimated reimbursements for unemployment benefits paid to agency employees.

Funds Were Transferred On Only One Occasion From An Agency Which Was Late With Its Reimbursements

The Comptroller of Public Accounts (Comptroller) exercised its authority to transfer funds from an agency which was late with unemployment reimbursements on only one occasion for fiscal year 1994. The Comptroller transferred \$387,935 from the Department of Human Services for unemployment amounts related to the quarters ending December 1993 and March 1994. The authority to transfer funds was granted beginning with the 1994-1995 biennium.

Executive Summary

Monitoring Of Reimbursements Could Be Improved

During fiscal year 1993, there was little monitoring of agency reimbursements to the General Revenue Fund for either unemployment or workers' compensation benefits paid. The number of late or missed reimbursements doubled during fiscal year 1994. In 1995, the level of monitoring by the Office of the Attorney General and the Texas Employment Commission has continued to increase. This may result in increased compliance by agencies to provide timely reimbursements to the State.

Increased monitoring of reimbursements by each agency's upper management could reduce the number of late and/or missed reimbursement payments.

Summary of Agency Responses

There was general concurrence with the findings and recommendations of the report. Individual recommendations and related agency responses may be found at Appendix 3

Detailed Issues and Recommendations

Section 1:

Agencies Are Generally Reimbursing the State for Unemployment and Workers' Compensation Benefits Paid to Employees Whose Salary Sources Were from Funds Other than the General Revenue Fund

Section 1-A:

Unemployment Reimbursements

As shown in Figure 1 on the following page, seven agencies have remitted a total of \$2,689,288 to the State for unemployment benefits paid to employees whose salary was paid from funds other than the General Revenue Fund. The reimbursements were for benefits paid during fiscal years 1993 and 1994. These seven agencies remitted 98.2 percent of the reimbursement amount calculated by the State Auditor's Office.

We were unable to obtain reimbursement information from the Texas Department of Criminal Justice for the first quarter of fiscal year 1993. Thus, only seven quarters of information are presented for the Texas Department of Criminal Justice. In addition, the Texas Department of Criminal Justice did not make a full reimbursement for the fourth quarter of 1994. They made a partial payment, which was \$12,147 less than their calculated reimbursement.

Currently, the Comptroller of Public Accounts applies salary source percentage factors from each appropriate agency to the total unemployment benefits paid to former employees of that agency. The result is an estimate of the amount of reimbursement each agency should make for unemployment benefits received by former employees. This estimate is mailed to the agency for their action and reimbursement. We found that the Comptroller's calculation (estimation) of individual agency unemployment reimbursement amounts was accurate unless the agency uses a mixed fund (one made up of state and other monies) to pay salaries.

Recommendation: The Texas Department of Criminal Justice should make complete payment for the quarter ending September 30, 1994.

Figure 1

Unemployment Benefits, Fiscal Years 1993 and 1994				
Agency	Calculated Reimbursement¹	Actual Reimbursement	Difference	%
Dept. of Human Services	\$1,000,462	\$1,017,675	\$17,213	101.7
Dept. of Insurance	\$380,280	\$374,707	(\$5,573)	98.5
Dept. of Transportation	\$394,354	\$346,993	(\$47,361) ²	88.0
University of Texas System	\$558,848	\$558,848	\$0	100.0
Dept. of Public Safety	\$122,461	\$120,451	(\$2,010)	98.4
Dept. of Health	\$173,722	\$174,899	\$1,177	100.7
Dept. of Criminal Justice	\$109,662 ³	\$95,715	(\$13,947)	87.3
Totals	\$2,739,789	\$2,689,288	(\$50,501)	98.2

¹ Reimbursement amounts were calculated by the State Auditor's Office and were based on salary and employee information provided by each agency for former employees receiving unemployment benefits.

² The Department of Transportation reimbursed the General Revenue Fund \$47,361 during our audit, bringing their actual reimbursements to 100 percent of the calculated amount.

³ This figure does not include an estimate of the reimbursement due for the first quarter of fiscal year 1993.

Section 1-B:

Workers' Compensation Reimbursements

As shown in Figure 2 on the following page, the five agencies audited for workers' compensation benefits reimbursed a total of \$6,070,490 for workers' compensation benefits paid to employees whose salary was paid from funds other than the General Revenue Fund. The agencies reimbursed an average of 91.1 percent of their calculated (estimated) reimbursement amounts. Figure 2 provides total reimbursement information for fiscal years 1993 and 1994, by agency. The percentages shown in the table represent the percentage of the calculated reimbursement amounts that the agencies actually reimbursed to the General Revenue Fund.

Currently, the Office of the Attorney General does not apply salary percentages to their payment statements for workers' compensation payments. It mails information on an agency's total workers' compensation benefits paid to that agency each fiscal quarter. The Attorney General then relies on each agency to accurately calculate their individual reimbursements.

The Texas Department of Criminal Justice failed to reimburse the General Revenue Fund for workers' compensation benefits during the third and fourth quarters of fiscal year 1994. These payments are still outstanding.

Recommendation: The Texas Department of Criminal Justice should reimburse the State for prior workers' compensation quarterly billings which have not been paid. This would amount to approximately \$170,000.

Figure 2

Workers' Compensation Benefits, Fiscal Years 1993 and 1994				
Agency	Calculated Reimbursements¹	Actual Reimbursements	Difference	%
Dept. of Human Services	\$3,233,353	\$3,157,779	(\$75,574)	97.7
Dept. of Insurance	\$156,635	\$152,366	(\$4,269)	97.3
Dept. of Public Safety	\$2,391,383	\$2,072,205 ²	(319,178)	86.7
Dept. of Health	\$344,322	\$323,973	(\$20,349)	94.1
Dept. of Criminal Justice	\$534,399	\$364,167	(\$170,232)	68.1
Totals	\$6,660,092	\$6,070,490	(\$589,602)	91.1

¹ Reimbursement amounts were calculated by the State Auditor's Office and were based on salary and employee information provided by each agency for those employees receiving workers' compensation benefits.

² Based on the quarterly information reviewed, the Department of Public Safety had failed to reimburse the General Revenue Fund for workers' compensation benefits for the fourth quarter of fiscal year 1993. The agency has since reimbursed a total of \$341,094 for past billings. This reimbursement amount was not included in the actual payment amount shown in Figure 2 because it occurred subsequent to our audit of the agency.

Section 1-C:

Unaudited Reimbursement Information

We also requested reimbursement information from an additional 93 agencies, of which 88 agencies replied. The data reviewed from the agencies indicates that generally they are reimbursing the General Revenue Fund for unemployment and workers' compensation benefits paid to employees whose salary was paid from funds other than General Revenue. Because this information is unaudited, it was not presented

Section 2:

Nearly Half of Agency Reimbursements Did Not Occur Within the 30-Day Time Period Established by Statute

Forty-six percent of agency reimbursements were not made within the 30-day time period established by statute. The agencies attributed a number of the late reimbursements made during fiscal year 1994 to difficulties with implementation of the Texas Uniform Statewide Accounting System (USAS). In fiscal year 1993, there were 13 late reimbursement payments and 1 missed payment. In fiscal year 1994, there were 27 late and 3 missed reimbursement payments. Figure 3 provides information on the timeliness of each agency's reimbursements during fiscal years 1993 and 1994.

Figure 3

Late Payment Information			
Agency	Unemployment: # of Late Payments out of 8 possible	Workers' Compensation # of Late Payments out of 8 possible	Number of Days Late
Dept. of Human Services	3	4	5 to 208
Dept. of Insurance	1	0	103
Dept. of Transportation	2	n/a ¹	102 to 171
University of Texas System	2	n/a ¹	18 to 23
Dept. of Public Safety	7	7	5 to 237
Dept. of Health	4	7	8 to 392
Dept. of Criminal Justice	2 ²	5	2 to 117

¹ The Texas Department of Transportation and The University of Texas System do not make reimbursements for workers' compensation because they are self-insured.

² The Texas Department of Criminal Justice had seven evaluated quarters rather than eight because they did not have unemployment information for the fourth calendar quarter of 1992.

The system for reimbursing the State's General Revenue Fund during 1993 and 1994 was cumbersome and lacked incentive for agency compliance. The Texas Employment Commission created a list of the total unemployment benefits paid to state employees by agency on a quarterly basis. The Comptroller of Public Accounts applied a percentage factor to the total billings to create a calculated (estimated) reimbursement to the General Revenue Fund for each agency. The Texas Employment Commission then mailed the payment statement, or billing, to each appropriate agency which, in turn, calculated its true reimbursement. The Texas Employment Commission did not record the date on which the payment statements were mailed. Agencies then provided reimbursements to the Texas Employment Commission with any explanations for differences between the payment statement and the reimbursement.

The "system" for workers' compensation reimbursements was similar with the exception that the Comptroller of Public Accounts did not modify the total billings

with salary percentage information, and payments were made to the Comptroller. Neither the Texas Employment Commission nor the Office of the Attorney General have authority to enforce payment.

A change to the General Appropriations Act for the 1994-1995 biennium potentially strengthened the system by authorizing the Comptroller of Public Accounts to transfer funds from agencies which are late with their payments. Nevertheless, there is still no incentive for agencies to reimburse the General Revenue Fund unless fund transfers, caused by late or missed payments, are consistently made. As a result, nearly half of the required reimbursements were late, and some were not made at all.

Late in fiscal year 1994, the Comptroller of Public Accounts, Office of the Attorney General, and Texas Employment Commission instituted new procedures and increased their monitoring of agency reimbursements. The monitoring agencies believe the new policies and procedures have had a positive effect on reimbursements.

Recommendation: Agency reimbursements should be closely monitored during fiscal year 1995 (corresponding calendar quarters for unemployment reimbursements). At the end of fiscal year 1995, the new system should be evaluated by the Comptroller, the Attorney General, and the Texas Employment Commission. If the new policies and procedures fail to produce a marked increase in timely reimbursements, the following system should be proposed to the 75th Texas Legislature for adoption:

1. The Texas Employment Commission should provide the Comptroller of Public Accounts with quarterly information about the total unemployment benefits paid to each agency's employees. The Office of the Attorney General should provide the Comptroller with information about the total workers' compensation benefits paid for each quarter.
2. The Comptroller of Public Accounts should create payment statements for unemployment and for workers' compensation payments for each agency by multiplying the total benefits paid information by the overall percentage of agency salaries paid from other than the General Revenue Fund 001. These payment statements should then be mailed to appropriate agencies for their review.
3. Without waiting for individual agency replies, the Comptroller of Public Accounts should immediately transfer funds from the agencies to the General Revenue Fund in the amounts billed in the payment statements.
4. Any agencies which have been billed incorrectly and have had funds transferred from their accounts would be required to submit justification for subsequent transfer of funds. Justification ordinarily would be submitted in the fourth quarter of the fiscal or calendar year for all quarters.
5. Adjustments to agency accounts would not be made on a quarterly basis if the adjustment was less than an amount specified by the Comptroller of Public Accounts, such as one percent of an agency's appropriations. Ordinarily, adjustments would only be made in the final quarter of each fiscal year.

Section 3:

Agencies Are Accurately Recording the Fund Source for Employee Salaries

Each audited agency was accurately recording the fund source for employee salaries. Salary source information is being used by the Comptroller of Public Accounts to calculate estimated reimbursements for unemployment benefits paid to agency employees.

Section 4:

Funds Were Transferred on Only One Occasion from an Agency Which Was Late with its Reimbursements

The Comptroller of Public Accounts exercised its authority to transfer funds from one agency which was late with its unemployment reimbursements on only one occasion during fiscal year 1994. The Comptroller transferred \$387,935 from the Department of Human Services for unemployment amounts related to the quarters ending December 1993 and March 1994.

The authority to transfer funds was granted beginning with the 1994-1995 biennium [Senate Bill No. 5, (General Appropriations Act, 73rd Legislature, R.S.) Article V, § 55, paragraph 4, and § 57, paragraph 4]. This statute requires the monitoring agencies, the Texas Employment Commission and the Office of the Attorney General, to prepare certified lists of delinquent agencies for the Comptroller. The Comptroller may then transfer funds from the agencies which are late with their payments.

Statutes did not require the Texas Employment Commission or the Office of the Attorney General to provide lists of agencies delinquent in their payments until fiscal year 1994. However, neither the Attorney General nor the Texas Employment Commission were providing delinquent lists to the Comptroller on a quarterly or other regular basis during fiscal year 1994. Therefore, the system which was strengthened in 1994 by statutory change was still not working properly in fiscal year 1994, as evidenced by the increased late and missed reimbursements.

Recommendation:

1. The lists of delinquent agencies (those which are late with reimbursements) should be provided to the Comptroller of Public Accounts on a quarterly basis approximately five weeks after payment statements were mailed. Both the Attorney General and the Texas Employment Commission should record the mailing dates of payment statements.
2. The Comptroller should exercise its authority to transfer funds immediately upon receipt of the certified delinquent lists from the Attorney General and the Texas Employment Commission.

Monitoring of Reimbursements Could Be Improved

During fiscal year 1993, there was little monitoring of agency reimbursements to the General Revenue Fund for either unemployment or workers' compensation benefits paid. The number of late or missed reimbursements doubled during fiscal year 1994.

The level of monitoring has increased during fiscal year 1995 which may result in increased compliance by agencies to provide timely reimbursements to the State. We did not audit fiscal year 1995 payments.

Forty-six percent of the reimbursement payments made by individual agencies were late during fiscal years 1993 and 1994. These late payments include four missed reimbursements by two agencies. The level of late or missed reimbursements could be reduced by increasing the level of monitoring of reimbursements by the Office of the Attorney General, the Texas Employment Commission, and upper level management of the agencies.

Recommendation:

1. The Office of the Attorney General and the Comptroller of Public Accounts should agree to apply salary source information to workers' compensation benefits paid data in order to produce more accurate billings.
2. Individual agency upper level management should increase their monitoring of reimbursement payments in order to increase the timeliness of reimbursements.

Objectives, Scope, and Methodology

Objectives

The objectives of the audit were:

1. To determine if agencies and/or the Comptroller of Public Accounts are reimbursing the General Revenue Fund or appropriate special funds for unemployment and workers' compensation payments made to employees whose salary was/is paid from sources other than the General Revenue Fund.
2. To determine if these reimbursements or transfers are being made within the required 30 days.

Scope

Seven agencies were chosen for audit work based upon the calculated or estimated dollar amount of reimbursements due to the General Revenue Fund for unemployment or workers' compensation benefits paid to current or former employees versus the actual amounts reimbursed by the agencies.

The seven agencies chosen for audit were:

Texas Department of Criminal Justice
Department of Health
Department of Human Services
Texas Department of Insurance
Department of Public Safety
Texas Department of Transportation
University of Texas System

At each audited agency, the audit focused on five issues:

- Is the agency accurately reimbursing the state for unemployment and workers' compensation benefits paid to employees whose salary was/is paid from sources other than the general revenue fund?
- Are reimbursements occurring within the 30-day time period established by statute?
- Is the agency accurately recording the amount of salaries paid to employees from other than the general revenue fund?
- Has the comptroller of public accounts exercised its authority to transfer funds if the agency was late with its reimbursements?
- Is adequate monitoring of reimbursements taking place?

Methodology

- The audit focused on fiscal years 1993 and 1994 for workers' compensation benefit reimbursements. Unemployment benefits are reimbursed on a calendar quarter basis, so the audit concentrated on the fourth calendar quarter of 1992 through the third calendar quarter of 1994 in order to most closely match unemployment reimbursements to fiscal years 1993 and 1994.
- All agencies were ranked by fiscal year (FY) and General Appropriations Act Section (unemployment or workers' compensation reimbursements) in descending order of estimated amount of reimbursement due. Agency actual reimbursements were then compared with estimated amounts due for those agencies being considered for on-site visits. If an agency had reimbursed the General Revenue Fund with 90 percent or more of their estimated amount, they were assumed to have adequate policies and procedures in place and were not selected for an on-site visit. For each Section issue, i.e. unemployment or workers' compensation reimbursements, the four agencies with the estimated largest amounts due in reimbursement to the General Revenue Fund which had not reimbursed 90 percent of their estimated amount were audited.
- Audit steps for those agencies undergoing on-site visits included an examination of internal controls over the reimbursement process. We determined agency methodology for calculating reimbursement amounts and verification of those amounts. Additionally, agency reimbursement procedures were reviewed, and we determined whether or not they follow their own procedures.
- Audit steps were established to determine the timeliness of agency payments by examining agency records for payment/transfer amounts and dates.
- We established steps to determine whether or not the Comptroller of Public Accounts has had opportunity to exercise its authority to transfer money from agency accounts into the General Revenue Fund. We also determined whether or not the Comptroller had actually exercised that authority.

Fieldwork was conducted between February 24, 1995, and April 14, 1995. The audit was conducted in accordance with applicable professional standards, including:

- • Generally Accepted Government Auditing Standards
- • Generally Accepted Auditing Standards

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

- • Orin I. Knutson, CPA (Project Manager)
- • Bridgett K. Downs (Team Member)
- • Shawnte R. Williams (Team Member)
- • Worth S. Ferguson, CPA (Quality Control)
- • Paul H. Hagen, CPA (Audit Manager)
- • Deborah L. Kerr, Ph.D. (Audit Director)

Background

The audit is statutorily mandated by Senate Bill No. 5, (General Appropriations Act), 73rd Legislature, R.S., Article V, § 55, Reimbursements for Unemployment Benefits, and § 57, Reimbursements for Workers' Compensation Payments. These sections require state agencies to reimburse the General Revenue Fund for unemployment and workers' compensation benefits paid to employees whose salaries come from other than General Revenue Fund sources. Furthermore, the agencies are required to make reimbursement to the General Revenue Fund within 30 days from receipt of a quarterly payment statement. The State Auditor's Office is required to review agency compliance with these two sections.

State employees may be paid entirely from General Revenue Funds, federal funds, or local funds, or they may be paid from combinations of two or more of these different sources of funds. Nevertheless, all unemployment and workers' compensation benefits paid to state employees come from the General Revenue Fund. When a state employee is granted unemployment or workers' compensation benefits and the employee was paid from funds other than General Revenue, statute requires the employing entity to reimburse the State for a percentage of the benefits paid in proportion to the percent of salary paid from other than General Revenue. For example, if a state employee receives 50 percent of his/her salary from federal funds, statute requires the employing entity to reimburse the General Revenue Fund for 50 percent of the person's benefits. The employing entity would be expected to make a claim against the Federal Government to pay the 50 percent of benefits reimbursed to the State.

Agency Responses to Report Recommendations

The Texas Department of Transportation concurred with the findings and recommendations of the report without comment.

The following agencies concurred with the findings and recommendations of the report with comments:

Recommendation 1-A (Page 3): The Texas Department of Criminal Justice should make complete payment for the quarter ending September 30, 1994.

Texas Department of Criminal Justice Response: Outstanding reimbursements for 1993, 1994 and through the second quarter of 1995 have been calculated and are being submitted to the Comptroller.

Recommendation 1-B (Page 5): The Texas Department of Criminal Justice should reimburse the state for prior workers' compensation quarterly billings which have not been paid. This would amount to approximately \$170,000.

Texas Department of Criminal Justice Response: Outstanding reimbursements for 1993, and 1994 and through the second quarter of 1995 have been calculated and are being submitted to the Comptroller.

Recommendation 2 (Page 7): Agency reimbursements should be closely monitored during fiscal year 1995 (corresponding calendar quarters for unemployment reimbursements). At the end of fiscal year 1995, the new system should be evaluated by the Comptroller, the Attorney General, and the Texas Employment Commission. If the new policies and procedures fail to produce a marked increase in timely reimbursements, the following system should be proposed to the 75th Texas Legislative Session for adoption:

1. The Texas Employment Commission should provide the Comptroller of Public Accounts with quarterly information about the total unemployment benefits paid to each agency's employees. The Office of the Attorney General should provide the Comptroller with information about the total workers' compensation benefits paid for each quarter.
2. The Comptroller of Public Accounts should create payment statements for unemployment and for workers' compensation payments for each agency by multiplying the total benefits paid information by the overall percentage of agency salaries paid from other than the General Revenue Fund 001. These payment statements should then be mailed to appropriate agencies for their review.
3. Without waiting for individual agency replies, the Comptroller of Public Accounts should immediately transfer funds from the agencies to the General Revenue Fund in the amounts billed in the payment statements.

4. Any agencies which have been billed incorrectly and have had funds transferred from their accounts would be required to submit justification for subsequent transfer of funds. Justification ordinarily would be submitted in the fourth quarter of the fiscal or calendar year for all quarters.
5. Adjustments to agency accounts would not be made on a quarterly basis if the adjustment was less than an amount specified by the Comptroller of Public Accounts, such as one percent of an agency's appropriations. Ordinarily, adjustments would only be made in the final quarter of each fiscal year.

Agency Responses:

Comptroller of Public Accounts Response

We agree with your finding that there had been a lack of compliance by other agencies with unemployment and workers' compensation reimbursement provisions in the years covered in your audit. We further agree that reimbursements during fiscal years 1995, 1996 and 1997 should be closely monitored in order to assess the degree to which current provisions, as outlined in the General Appropriations Act, have improved agency compliance. Finally, in the event that compliance during this period is found to be inadequate, this office will work with the Office of the State Auditor to recommend the implementation of changes to the reimbursement process that are made in the report.

Office of the Attorney General Response

We agree with the State Auditor's recommendation to monitor state agencies' compliance with the provisions of Article V, Section 57 under the existing reimbursement procedures during fiscal year 1995. Furthermore, we believe the implementation of the State Auditor's contingency recommendations to change the system, as outlined in this section, would significantly streamline the reimbursement process, eliminate the need for repeated follow-up with non-compliant agencies, and would reduce delays in the reimbursement of workers' compensation expenses to the General Revenue Fund.

Texas Department of Criminal Justice Response

We have implemented procedures to ensure that reimbursements are completed within the period prescribed by statute.

Texas Department of Insurance Response

The Texas Department of Insurance (TDI) supports the auditor's recommendation but has the following comments. The recommendation will eliminate delinquent payments to the General Revenue Fund but will add paperwork/transactions to the system as follows:

- (1) *When the automatic transfer on estimates is incorrect,*
 - *Agencies will have to submit justification for the Comptroller's staff to review;*

- *Transfers to or from the General Revenue Fund must be made to correct the automatic transfer;*
- (2) *For agencies with local funds, in addition to the automatic transfer, a second transaction will be required to reimburse the agencies' Treasury fund (versus direct payment to the General Revenue Fund from the local fund).*

A projection of the potential added cost of this recommendation could be calculated for the audit period to inform decision-makers.

Texas Department of Public Safety Response

Your assessment of the condition of agency reimbursements to the General Revenue Fund of applicable unemployment and workers' compensation benefits is greatly appreciated. The procedural changes you suggest in Section 2 of the report would seem to alleviate the problems the seven audited agencies encountered.

The University of Texas System Response

The University of Texas System Office of Human Resources administers the Unemployment Compensation Insurance Program for all University of Texas components. Based on the information provided to UT Austin, only one payment indicated in the State Auditor's draft report was late.

For the first quarter in 1994, TEC sent billings to UT components a month earlier than they sent them to UT System. TEC asked that payment not be made on the earlier billing statement because TEC needed time to be sure the amounts were correct. Based on the date UT System received the billing (7/7/94), the payment was made on time (paid 7/18/94). The other payment which was categorized as late in the audit report was initiated by the UT System Office of Human Resources within the required 30 days, but was not processed by UT Austin's Office of Accounting in time to meet the deadline.

UT Austin's Office of Accounting has revised procedures in order to expedite payments as soon as information regarding amounts due is received.

Texas Department of Human Services Response

We agree with the recommendation.

Section 3: There was no recommendation for Section 3.

Recommendation 4 (Page 9):

1. The lists of delinquent agencies (those which are late with reimbursements) should be provided to the Comptroller of Public Accounts on a quarterly basis approximately five weeks after payment statements were mailed. Both the Attorney General and the Employment Commission should record the mailing dates of payment statements.

2. The Comptroller should exercise its authority to transfer funds immediately upon receipt of the certified delinquent lists from the Attorney General and the Employment Commission.

Agency Responses:

Comptroller of Public Accounts Response

We agree to modify our procedures in order to require the Texas Employment Commission and the Office of the Attorney General to provide the Comptroller with lists of agencies that have not made required reimbursements within five weeks of the date that the payment statements were mailed. Upon receipt of the delinquent lists from the oversight agencies, we agree to immediately transfer funds owed by the delinquent agencies.

Office of the Attorney General Response

The Office of the Attorney General worked with the Comptroller of Public Accounts to mutually develop and implement the provisions of Article V, Section 57 during fiscal year 1994. Our office has been providing quarterly delinquent agency reports to the Comptroller of Public Accounts since the beginning of fiscal year 1995.

However, in order to identify delinquent agencies, the Office of the Attorney General must obtain reimbursement transaction records which are maintained by the Comptroller of Public Accounts. This information is then used to provide the Comptroller of Public Accounts a report listing all delinquent agency information. The process of obtaining the reimbursement information and preparing a delinquent agency report to submit to the Comptroller of Public Accounts, is cumbersome, inefficient, and results in delays in providing the delinquent agency information to the Comptroller of Public Accounts.

We will continue to maintain our current reimbursement process, which includes the preparation of quarterly delinquent agency reports, as mutually established with the Comptroller of Public Accounts in the beginning of fiscal year 1995.

Texas Employment Commission Response

The provisions that allowed TEC to certify delinquencies to the Comptroller and gave the Comptroller enforcement authority were not available until fiscal year 1994. During 1994, we chose to informally work delinquencies through individual agency contacts rather than certify delinquencies and ask the Comptroller to use the statutory transfer authority provided. This was the first year of operation for a new and somewhat complicated procedure that was further complicated by the agency workloads associated with conversion to the new Uniform Statewide Accounting System (USAS). In the interest of fairness and to give agencies an opportunity to adjust to the new procedure, it was decided that an informal approach that educated the agencies on the new procedures would be the best approach. Beginning with the first calendar quarter of 1995, TEC will begin a quarterly procedure to certify delinquencies thirty days after the due date for submittal of the reports.

Texas Department of Insurance Response

The Texas Department of Insurance agrees with this recommendation.

Recommendation 5 (Pages 9-10):

1. The Office of the Attorney General and the Comptroller of Public Accounts should agree to apply salary source information to workers' compensation benefits paid data in order to produce more accurate billings.
2. Individual agency upper level management should increase their monitoring of reimbursement payments in order to increase the timeliness of reimbursements.

Agency Responses:

Comptroller of Public Accounts Response

We agree to work with the Office of the Attorney General to attempt to use salary source information to assist that agency in producing more accurate reimbursement billings.

Office of the Attorney General Response

We have no problem with the concept of applying salary source information to the workers' compensation benefits paid data as outlined in the recommendations of Section 2. However, the application of salary source information under the current reimbursement procedures will still result in a cumbersome and inefficient process. This is especially true if accurate salary source information cannot be applied to the workers compensation benefits paid data of each injured employee.

Texas Employment Commission Response

In Section 5, you indicate there was little monitoring of agency reimbursements during fiscal year 1993 and that the number of late or missed reimbursements doubled during fiscal year 1994. You conclude that increased monitoring would result in increased compliance. This may not be a correct assumption. We agree there was little monitoring during fiscal year 1993, but keep in mind that we were using the old procedure for reimbursement and neither TEC nor the Comptroller had enforcement capabilities. Any monitoring would have been pure bluff. In fiscal year 1994, when the new procedures were available, there was significant monitoring and communication between the agencies, the Comptroller and TEC. The result, late or missed reimbursements doubled in comparison to fiscal year 1993. At least for 1994, increased monitoring even with enforcement provisions, did not result in increased compliance.

While 1994 may have been an abnormality for reasons cited earlier, like the Comptroller, we agree that the new provisions need additional time before you can evaluate effectiveness. Perhaps with increased agency awareness of the new procedures and new enforcement provisions, there can be increased compliance for fiscal year 1995 and beyond.

Texas Department of Insurance Response

Management concurs with this recommendation. As indicated in this report, the Texas Department of Insurance (TDI) is timely in its reimbursements to the General Revenue Fund for unemployment and workers' compensation benefits paid. For TDI, the monitoring by upper level management, as suggested in this report section, will be more for informational purposes than a tool to promote timeliness.

Texas Department of Public Safety Response

We are in agreement with the Section 5 recommendations.

University of Texas System Response

The University System Office of Human Resources will continue making payments on a timely basis. UT Austin's Office of Accounting has made a commitment to expedite payments as soon as possible after receiving the information from UT System.

Texas Department of Human Services Response

We agree with the recommendation directed to individual agency upper level management. Monitoring of reimbursement payments will be increased until such time as recommendation 2 is implemented.

The Texas Department of Health provided the following comments which could not be separated into the individual recommendations:

The Texas Department of Health (TDH) supports the transfer authority summarized in Section 4, paragraph 2, not the system changes recommended in Section 2. Allowing the Comptroller immediate transfer authority, as suggested in Section 2, would increase TDH staff reconciliation efforts and mean additional transactions to correct estimated fund transfers. The better solution is to allow the Texas Employment Commission and the Office of the Attorney General to monitor agency reimbursement efforts, then direct the Comptroller to proceed with estimated fund transfers upon agency default. A consistent monitoring effort will allow the Texas Employment Commission and the Office of the Attorney General to ensure that each agency makes appropriate reimbursement.

TDH has taken positive action to eliminate delays in the reimbursement process. A suspense and tracking system has been implemented. Key staff members have been assigned the responsibility of anticipating the receipt of billings, then tracking each billing's progression through the payment process. This should ensure that all TDH reimbursements meet the 30 day standard.

TDH fiscal administrative staff is committed to improving the efficiency of the bill paying and reimbursement process. The opportunity to respond to your audit findings is much appreciated.

Copies of this report have been distributed to the following:

Legislative Audit Committee

Honorable James E. "Pete" Laney, Speaker of the House, Chair
Honorable Bob Bullock, Lieutenant Governor, Vice Chair
Senator John Montford, Chair, Senate Finance Committee
Senator Kenneth Armbrister, Chair, Senate State Affairs Committee
Representative Robert Junell, Chair, House Appropriations Committee
Representative Tom Craddick, Chair, House Ways and Means
Committee

Governor of Texas

Honorable George W. Bush

Legislative Budget Board

Sunset Advisory Commission

Comptroller of Public Accounts

Office of the Attorney General

Texas Employment Commission

Texas Department of Criminal Justice

Texas Department of Health

Texas Department of Human Services

Texas Department of Insurance

Texas Department of Public Safety

Texas Department of Transportation

The University of Texas System