



# Report Highlights

## Virginia Employment Commission - Fiscal Year 2014

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### Audit Summary

Our audit of the Virginia Employment Commission (Commission) found:

- Proper recording and reporting of transactions, in all material respects, in the Commonwealth Accounting and Reporting System and in the Commission’s accounting records;
- Nine internal control findings, two of which we consider material weaknesses due to the impact they could or did have on the financial information; and
- Eight of the internal control findings also represent noncompliance with laws, regulations, or other matters.

We found several internal control and compliance findings that are due either directly, or indirectly, to a lack of resources available. Over the last several years, the Commission has devoted considerable resources to several system development projects, all of which are ongoing. A number of key personnel have been assigned to these projects which has resulted in reassignment and shifting of job responsibilities in the agency.

### Unemployment Benefit Payments

The Commission paid approximately \$637 million in unemployment benefits under several different programs in 2014. The most significant benefit type is State unemployment insurance benefits which are paid from unemployment taxes collected from employers. The federal government provides funding for the remaining benefit types. Federal unemployment insurance benefits are for federal employees, while federal emergency unemployment benefits are payment extensions approved by the federal government. Over the last several years, benefit payments have decreased due to economic improvements and the phase-out of the federal extensions.

Type of Benefit	2012	2013	2014
State unemployment insurance benefits	\$ 624,351,290	\$ 586,662,335	\$ 543,517,004
Federal unemployment insurance benefits	37,022,653	34,852,843	26,797,393
Federal emergency unemployment benefits	493,836,597	203,915,453	66,975,206
Total	\$ 1,155,210,540	\$ 825,430,631	\$ 637,289,603

### System Development Projects

*The Commission has been involved in several significant system development projects for several years to replace outdated systems. These include FMS, a new financial management system, and UIMod, a modernized system to replace antiquated tax and benefit systems.*

*The Commission plans to implement FMS in December 2014. The total project cost is \$4.9 million, with the primary source of funding being federal funds. As of October 2014, the Commission has spent \$4.1 million on this project.*

*The status of UIMod is more uncertain. The Commission is working to implement the Tax portion of UI Mod in Spring or Summer 2015; however, there is no foreseeable implementation date for the Benefits portion of UIMod. The total budget for the UI Mod project is \$58.5 million, with \$49.1 million coming from federal funds and \$9.4 million coming from the Commission’s penalty and interest fund. As of October 2014, the Commission has spent approximately \$40 million on this project.*



See the full report at [www.apa.virginia.gov](http://www.apa.virginia.gov)

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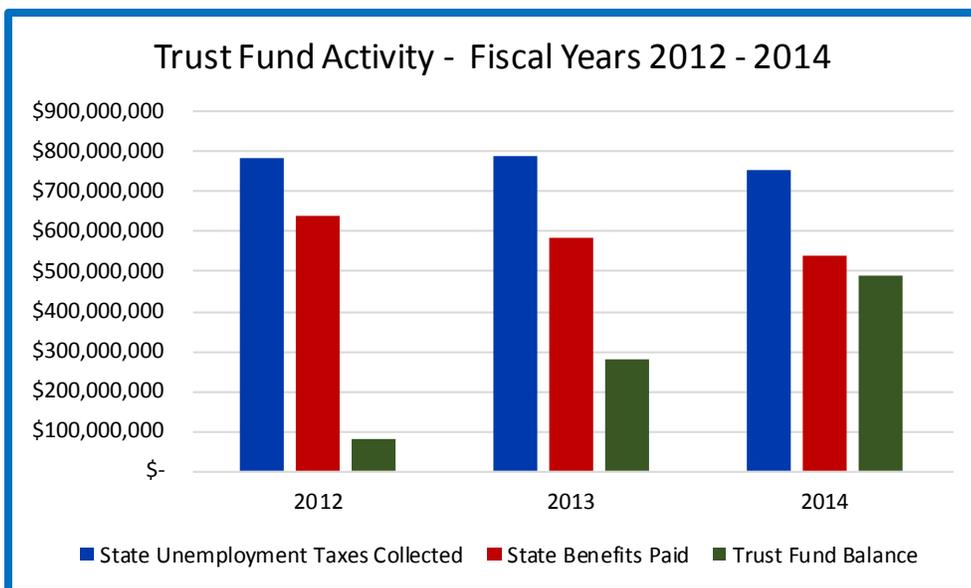
*Status of Information  
Technology  
Transformation*

The Commission continues to work with the Commonwealth’s IT Infrastructure Partnership with Northrup Grumman (IT Partnership) to complete transformation of their IT environment. Due to the delay in transformation, the Commission is paying legacy fees to maintain technology not supported by the IT Partnership. Additionally, the Commission has allocated a substantial amount of its resources to support these technologies. Currently, the Commission is one of only three executive branch agencies that have not completed transformation.

**Key Findings and Recommendations**

- The Commission did not maintain sufficient oversight over its information security program, as required by the Commonwealth’s Information Security Standard, because it did not allocate the necessary resources to reduce IT security risk. Without allocating the necessary resources, the Commission will not be able to maintain adequate controls necessary to protect confidential and mission critical data. (*material weakness*)
- The Commission’s operating system is outdated and is no longer supported by the vendor. This elevates the risk of malicious activity for its information systems.
- The Commission’s financial reporting and review process did not identify a material error in its financial statements. Given its manual nature, this process is prone to financial reporting errors. (*material weakness*)
- We analyzed all claims processed and determined the Commission’s benefits system, VABS, did not calculate the maximum benefit amount correctly for 58 claimants. Although these instances represent less than one percent of benefit claims, the Commission should determine why VABS did not perform the calculation correctly so it can be fixed prior to the implementation of a new benefits system.

**Unemployment Trust Fund**



The Commission’s primary funding source for benefits is state unemployment taxes paid by employers. The Commission deposits these taxes into the Unemployment Trust Fund which is maintained by the federal government. Generally, during times of low unemployment, the Trust Fund builds up a balance to pay for benefits during times of high unemployment. The Trust Fund balance has increased over the last several years as the unemployment rate has declined.

