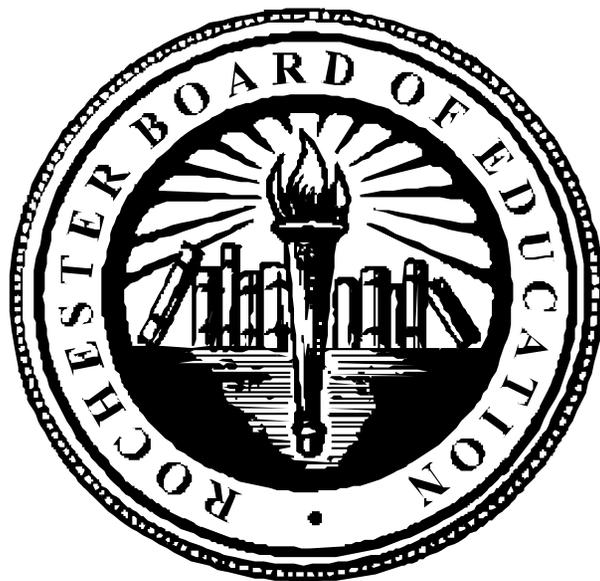


OFFICE OF AUDITOR GENERAL



Unemployment Insurance Audit Report

September 2011



Unemployment Insurance Index

Report Section	Pages
Executive Summary	1
Summary of Recommendations	2
Observations, Recommendations and Action Plans	
Protocols and Procedures	3
Compliance with Employment Notice	4
Automated Tracking	5
Claims Information Gathering	6
Separation Report	7
Information Response Tracking	8
Reduction in Force Tracking & Reporting	9
Criteria for Protesting Claims	10
Monitoring Uncontested Claims	11



Unemployment Insurance Executive Summary

OBJECTIVE:

To assess the Unemployment Insurance program to determine whether processes are in place to minimize the District's Unemployment Insurance liability.

BACKGROUND:

The New York State Unemployment Insurance program, administered by the New York State Department of Labor, provides immediate, short-term financial protection for people who are out of work through no fault of their own. Unemployment income is financed by employers through a tax on their payroll. In fiscal years ending June 30, 2009, 2010, and 2011, the District paid approximately \$490K, \$1.5M, and \$1.4M in Unemployment Insurance, respectively. The significant increase in unemployment claims between 2009 and 2010 is the result of reduction in RCSD workforce that occurred due to funding constraints. Since similar challenges continued in the 2011 school year, claims were comparable to 2010. We anticipate that unemployment charges will remain high due to the current fiscal environment.

SCOPE:

We collaborated with management to obtain an understanding of the processes and controls in place for the Unemployment Insurance program. We assessed the sufficiency of the termination process for all employees. We obtained an understanding of the claims process and evaluated the District's process to determine whether a claim should be contested. We evaluated the adequacy of the monitoring activities for the Unemployment Insurance program. Compliance with the NYS Department of Labor Unemployment Insurance requirements was also assessed.

CONCLUSION:

Reduction in Force efforts at the District reinforces the need for the District to formalize and streamline their processes to minimize Unemployment Insurance costs. Comprehensive written protocols and procedures should be developed, implemented and enforced for the entire Unemployment Insurance process. Improved automation and communication processes should also be implemented. The District must ensure timely response to the third party vendor for unemployment claims. All requests should efficiently be tracked, monitored and fulfilled in a timely manner while reducing duplicative efforts. Criteria for protesting claims should be developed and Senior Management reporting should be established to provide visibility and oversight for uncontested claims.



Unemployment Insurance Summary of Recommendations

Rec#	Recommendations
1	<i>Develop, implement, communicate and enforce comprehensive, written protocols and procedures for the entire Unemployment Insurance process.</i>
2	<i>Obtain or develop a Record of Employment form approved by the NYS Department of Labor and provide this form to all employees who separate from the District.</i>
3	<i>Automate the separation information gathering process within PeopleSoft to minimize manual files. Establish consolidated reporting to facilitate monitoring.</i>
4	<i>Establish and implement an effective process to track, fulfill and monitor requests for Unemployment Insurance information. Ensure that clear responsibility is assigned, designated individuals have appropriate access to pertinent information in PeopleSoft, and accountability is enforced for timely completion.</i>
5	<i>Evaluate the content on the District Separation Report and the Unemployment Vendor's Request for Information form to determine if one form can be eliminated or both combined. If feasible, make changes to streamline the unemployment reporting process.</i>
6	<i>Establish and implement a comprehensive tracking and monitoring process to ensure that information requests for unemployment information are fulfilled timely. Consider using automation for forwarding the Information Requests to the Unemployment vendor.</i>
7	<i>Develop a process to track the Board authorization, timing and method of notification to employees affected by Reductions in Force and recalls. Ensure the timely communication to the Unemployment vendor for Reduction in Force efforts and related recalls.</i>
8	<i>Develop, document, communicate and implement defined criteria for protesting Unemployment Claims. Implement monitoring to ensure compliance with the established criteria.</i>
9	<i>Develop and implement a process to track claims not challenged/protested by the District and ensure the process includes supporting documentation and Senior Management reporting.</i>



Unemployment Insurance Observations, Recommendations and Action Plans

OBSERVATION: #1

Protocols and Procedures

There is a lack of comprehensive protocols and procedures for the Unemployment Insurance process. Desk procedures, which communicate how to perform daily responsibilities in compliance with protocols, do not exist. A Protocol and Procedures Manual for Unemployment Insurance processes should be detailed, comprehensive and up to date to ensure consistent application and compliance with Unemployment Insurance policies and laws. Written and communicated protocols would enhance the consistency of recorded data, consistency in the handling of transactions, and aid in holding employees accountable for the work performed.

RECOMMENDATIONS and MANAGEMENT RESPONSES

Develop, implement, communicate and enforce comprehensive, written protocols and procedures for the entire Unemployment Insurance process.

Management Responses: Since the onset of the audit, HCI has worked with the Payroll Department in an effort to develop a cross-departmental work flow process. The Payroll Department reports to the Chief Financial Officer and is not housed within the HCI department. As a result, the handling of unemployment claims in the past has been housed in both departments. This cross-department function was not working well and resulted in the need to stream line processes. Payroll used to provide responses to information requested, but it was determined by personnel no longer with the District that this practice would stop.

In an effort to streamline processes, HCI has determined that it will assume full ownership of the Unemployment Process to ensure full compliance and timely responses.

HCI has developed protocols and implemented procedures for the Unemployment Insurance processes. HCI will document the protocols and procedures in detail.

Responsibility: Maurice Snipe, HCI Director; Jacqueline Phipps Polito, Chief HCI Officer

Due Date: December 31, 2011



Unemployment Insurance Observations, Recommendations and Action Plans

OBSERVATION: #2

Compliance with Employment Notice

The District is not in compliance with NYS documentation regulations for Unemployment Insurance. The District does not provide employees with the required Record of Employment form upon separation of employment with the District. Per the NYS-50 Employer's Guide to Unemployment Insurance, an employer must give written notice to any employee who is terminated from employment regardless of the reason for separation or whether it is a temporary or permanent separation. This notice must be provided on a form furnished or approved by the DOL and must include: (1) the employer's name, (2) the NYS employer registration number, (3) the mailing address where payroll records are kept, and (4) a statement instructing the employee to present the notice when filing a claim for benefits. Efforts should be made to comply with all documentation requirements.

RECOMMENDATIONS and MANAGEMENT RESPONSES

Obtain or develop a Record of Employment form approved by the NYS Department of Labor and provide this form to all employees who separate from the District.

Management Responses: The NYS DOL does have a standard form that it suggests employers use upon departure. HCI will conduct a review of best practices with other organizations of similar stature to determine if the form is utilized. Depending upon the results of that review, HCI will consider the format in which employees are notified of the basis for their termination.

Responsibility: Maurice Snipe, HCI Director; Jacqueline Phipps Polito, Chief HCI Officer

Due Date: December 31, 2011



Unemployment Insurance Observations, Recommendations and Action Plans

OBSERVATION: #3

Automated Tracking

The District has not implemented a process to enter and extract separation information from the personnel system, PeopleSoft. All separation information must be requested on an individual basis and compiled manually. The District should have standard consolidated reporting to minimize manual files. In addition, improved automated reporting would allow basic separation information to be directly forwarded from PeopleSoft to the unemployment vendor on a regular basis. The District and unemployment vendor have agreed to automate the process for sharing information, but this has not yet been implemented. Automating the communication process for basic separation information could expedite the claims process and reduce the number of initial requests for information necessary for the unemployment vendor to process unemployment claims.

RECOMMENDATIONS and MANAGEMENT RESPONSES

Automate the separation information gathering process within PeopleSoft to minimize manual files. Establish consolidated reporting to facilitate monitoring and forward information electronically to the unemployment vendor.

Management Responses: HCI has implemented a process with DeGroot whereby all requests for information are sent to Gerri Rowe, an employee in the HCI department. Ms. Rowe provides responses to NYS DOL forms. Ms. Rowe will also provide standard reports to DeGroot based upon terminations. A report is generated from PeopleSoft showing terminations. The information is shared with DeGroot. HCI is working with the IM&T department to determine if the information can be pulled in a standard format in an effort to streamline how the information is provided and whether the District could generate a standard response based upon information pulled from PeopleSoft.

HCI is also working with the vendor to determine if they could be physically located within HCI twice a week to respond directly to unemployment claims.

Responsibility: Maurice Snipe, HCI Director; Jacqueline Phipps Polito, Chief HCI Officer

Due Date: COMPLETE



Unemployment Insurance Observations, Recommendations and Action Plans

OBSERVATION: #4

Claims Information Gathering

An effective process does not exist for gathering information to validate unemployment claims. Multiple individuals within HCI and Payroll are required to complete the basic separation information requests for unemployment claims. The transfer between departments delays the response, but occurs because pertinent information is not readily accessible. In addition, a formal monitoring process is not in place to ensure a timely response occurs to our third party vendor. Responsibility should be designated for ensuring a timely response to unemployment requests. Management may want to consider making one person responsible for obtaining all necessary information to complete requests for substantiating unemployment claims. An improved process will allow the District to dispute questionable claims and potentially decrease the liability.

RECOMMENDATIONS and MANAGEMENT RESPONSES

Establish and implement an effective process to track, fulfill and monitor requests for Unemployment Insurance information. Ensure that clear responsibility is assigned, designated individuals have appropriate access to pertinent information in PeopleSoft, and accountability is enforced for timely completion.

Management Responses: Since the Payroll Department had assumed the responsibility for responding to all requests for information prior to July 1st, HCI has determined that the cross-department functionality was causing delays in obtaining payroll information. As a result HCI requested, and was granted, access to payroll data to streamline the process. Further, HCI has implemented a process with DeGroot whereby all requests for information are sent to Gerri Rowe, an employee in the HCI department. Ms. Rowe provides responses on approved NYS DOL forms. Ms. Rowe will also provide standard reports to DeGroot based upon terminations. An automated report is generated from PeopleSoft showing terminations. The information is shared with DeGroot in a timely fashion.

HCI has implemented a 48 hour timeframe to respond to DeGroot requests. Although HCI is not tracking each request for Unemployment Insurance information, the HCI Chief is monitoring all requests to ensure timely response.

Responsibility: Maurice Snipe, HCI Director; Jacqueline Phipps Polito, Chief HCI Officer

Due Date: COMPLETE



Unemployment Insurance Observations, Recommendations and Action Plans

OBSERVATION: #5

Separation Report

Duplicate information is accumulated when an employee separates from the District and files an Unemployment Claim. A Separation Report is a standard District form that is completed whenever an employee leaves the District. If the employee files for Unemployment with the NYS Department of Labor, the third-party vendor forwards a Request for Information to the District for completion. Much of the information is duplicative of the information gathered in the District Separation Report. To expedite the claims process, in lieu of preparing two independent forms, efforts should be made to evaluate the content of both forms and either combine or eliminate one of the forms. This change would reduce the work required to respond to unemployment requests, which would potentially reduce cycle time.

RECOMMENDATIONS and MANAGEMENT RESPONSES

Evaluate the content on the District Separation Report and the Unemployment Vendor's Request for Information form to determine if one form can be eliminated or both combined. If feasible, make changes to streamline the unemployment reporting process.

Management Responses: HCI has worked with our vendor, DeGroot Management Services with regard to the NYS DOL form. The form that is presently utilized is required by NYS law. As a result, there is no flexibility in adjusting the NYS approved forms. DeGroot's Request for Information form is no longer being utilized and only the NYS DOL forms are completed.

HCI cannot provide the form to employees upon their departure because the basis for termination is a District determination and not an employee determination. If an employee were allowed to complete this information and return to the state, the result would be increased claims.

HCI is working with the IM&T department to determine if the information can be pulled in a standard format in an effort to streamline how the information is provided and whether the District could generate a standard response based upon information pulled from PeopleSoft.

Responsibility: Maurice Snipe, HCI Director; Jacqueline Phipps Polito, Chief HCI Officer

Due Date: December 31, 2011



Unemployment Insurance Observations, Recommendations and Action Plans

OBSERVATION: #6

Information Response Tracking

Effective tracking and monitoring does not exist to ensure unemployment information requests are fulfilled timely. The unemployment vendor sends a Request for Information to the District up to three times before they no longer pursue the claim. On average, it takes the District 21 days to respond to these claims. As a result, deadlines for challenging unemployment claims are not being met and the unemployment vendor is unable to take action on behalf of the District. For the period from July 2008 to December 2010, 5% of the District's liability resulted from a lack of providing timely information to protest claims. The potential liability for these claims was \$447K, with actual charges to date totaling \$156K.

In February 2011, HCI developed and implemented a Request Log to track requests for Unemployment Insurance information. The log is neither automated nor comprehensive enough to allow appropriate monitoring. The Request Log should be automated and enhanced to include all relevant information regarding the status of the request. Timely responses to unemployment requests can help to reduce Unemployment Insurance costs for the District.

RECOMMENDATIONS and MANAGEMENT RESPONSES

Establish and implement a comprehensive tracking and monitoring process to ensure that information requests for unemployment information are fulfilled timely.

Management Responses: Since the Payroll Department had assumed the responsibility for responding to all requests for information prior to July 1st, HCI has determined that the cross-department functionality was causing delays in obtaining payroll information. As a result HCI requested, and was granted, access to payroll data to streamline the process. Further, HCI has implemented a process with DeGroot whereby all requests for information are sent to Gerri Rowe, an employee in the HCI department. Ms. Rowe provides responses on approved NYS DOL forms. Ms. Rowe will also provide standard reports to DeGroot based upon terminations. An automated report is generated from PeopleSoft showing terminations. The information is shared with DeGroot in a timely fashion.

Ms. Rowe is the primary person assigned in the department to monitor all requests for information from DeGroot. There is a process for an email exchange of information which tracks the request and response time. Ms. Rowe responds to all requests within 48 hours. The HCI Chief monitors requests via email to ensure timely response to DeGroot.

Responsibility: Maurice Snipe, HCI Director; Jacqueline Phipps Polito, Chief HCI Officer

Due Date: COMPLETE



Unemployment Insurance Observations, Recommendations and Action Plans

OBSERVATION: #7

Reduction in Force Tracking & Reporting

Reduction in Force tracking and reporting must be enhanced to ensure documentation is accurate and complete. The District lacks a formal comprehensive process to track key separation and recall information such as the notification method, date, timing and Board authorization. HCI Staff had some information maintained by individuals on personal spreadsheets; however, consolidated reporting in a consistent format does not exist. We also noted key dates were not consistently documented to verify compliance with separation and recall requirements. In addition, the third-party unemployment vendor is not being provided with Reduction in Force and recall information timely. It was noted that for the 2010-11 school year, the vendor was not notified until several months after the recalls occurred. The District should maintain the details surrounding the notification given to employees for Reduction in Force and recalls. This should include the date and the method of notification provided to the employee. Recalls that are made by phone call should be formalized with a written confirmation. The unemployment vendor should be notified of all Reduction in Force efforts and be provided with recall information immediately, so they can ensure Unemployment Insurance charges are ceased timely. As a result, the District could potentially reduce their Unemployment Insurance charges.

RECOMMENDATIONS and MANAGEMENT RESPONSES

Develop a process to track the Board authorization, timing and method of notification to employees affected by Reductions in Force and recalls. Ensure the timely communication to the Unemployment vendor for Reduction in Force efforts and related recalls.

Management Responses: HCI has generated standard search queries from PeopleSoft that identify terminations, recalls, lay-off's and re-hires. This standard report is generated from PeopleSoft and provided to DeGroot biweekly for their records. DeGroot has been requested to make independent verification of unemployment claims by contacting Ms. Rowe.

Responsibility: Maurice Snipe, HCI Director; Jacqueline Phipps Polito, Chief HCI Officer

Due Date: COMPLETE



Unemployment Insurance Observations, Recommendations and Action Plans

OBSERVATION: #8

Criteria for Protesting Claims

Defined criteria have not been established for HCI Personnel to assist in determining whether a claim should be protested. The determination to protest claims is performed on an individual basis depending on the circumstances of the employment and termination. During our review, we noted that HCI Directors can occasionally agree not to protest an individual's unemployment claim upon termination. This practice is not formally monitored, but should be evaluated and criteria formalized. Without established criteria, a lack of consistency could exist for claims that the District decides to protest. Criteria utilized to determine whether a claim will be protested should be defined, communicated and monitored. Defined criteria will assist in the equitable treatment of Unemployment Insurance Claims.

RECOMMENDATIONS and MANAGEMENT RESPONSES

Develop, document, communicate and implement defined criteria for protesting Unemployment Claims. Implement monitoring to ensure compliance with the established criteria.

Management Responses: HCI in connection with the law department has established a process whereby the labor attorney will make the determination as to whether the District will protest a claim. The determination is based upon the standards set by NYS DOL for protesting such claims.

Responsibility: Maurice Snipe, HCI Director; Jacqueline Phipps Polito, Chief HCI Officer

Due Date: COMPLETE



Unemployment Insurance Observations, Recommendations and Action Plans

OBSERVATION: #9

Monitoring Uncontested Claims

Management tracking and reporting does not exist to identify when Unemployment Claims are not challenged. The Unemployment vendor identifies potential claims that could be contested by the District. The District is able to decide whether or not they want to challenge an employee's Unemployment Claim. From June 2008 to December 2010, 18% of the charges were not protested by the District, which totaled approximately \$629K in charges. Although all protested claims are not won by the District, some savings could be realized. Claims that the District decides not to protest should be monitored and approved. At a minimum, supporting documentation and the reason for not protesting the claim should be maintained and receive Senior Management attention. A lack of visibility of this information does not hold District personnel accountable for not taking action to reduce the District's unemployment expense.

RECOMMENDATIONS and MANAGEMENT RESPONSES

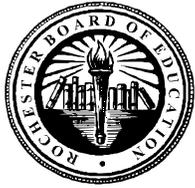
Develop and implement a process to track claims not challenged/protested by the District and ensure the process includes supporting documentation and Senior Management reporting.

Management Responses: DeGroot provides HCI with data regarding which claims are uncontested, protested, and appealed. Accordingly, the claims are being tracked. HCI will communicate with the law department to determine if they are tracking uncontested claims, and whether a tracking mechanism can be implemented for monitoring purposes.

As discussed in the above response, HCI in connection with the law department has established a process whereby the labor attorney will make the determination as to whether the District will protest a claim. The determination is based upon the standards set by NYS DOL for protesting such claims.

Responsibility: Maurice Snipe, HCI Director; Jacqueline Phipps Polito, Chief HCI Officer

Due Date: December 31, 2011



Unemployment Insurance Observations, Recommendations and Action Plans

