



Audit Highlights

Highlights of Legislative Auditor report on the Employment Security Division, issued on May 24, 2001. Report # LA02-09.

Purpose of Audit

The purpose of this audit was to assess the Division's process for collecting benefit overpayments and to determine whether the benefit overpayment database and the information generated by it are reliable. The audit included an examination of the Division's Benefit Payment Control (BPC) Unit's recovery of overpayment accounts in collectible status as of June 30, 2000. We also reviewed other accounts that were written-off, waived, or otherwise made inactive during fiscal year 2000.

Audit Recommendations

This audit report contained five recommendations to improve benefit overpayment collections and to ensure GUIDE system data and reports are reliable. Specifically, ESD needs to review available collection practices and implement those that will help maximize recoveries. We also recommended the Division request legislation to amend NRS 612.365 to allow for collections beyond 3 years. Further, ESD should periodically review the receivable aging and federal overpayment activity reports to ensure their completeness and validity, and develop procedures to review the activity. Finally, all system processing issues need to be tracked, work requests need to be prioritized and assigned, and corrective action timetables need to be developed.

The Agency accepted all five recommendations.

Status of Recommendations

The Department of Administration submitted the six-month report on the status of the audit recommendations on February 20, 2002. The report indicated that two of the recommendations have been implemented, two partially implemented, and one had no action but the Division is considering legislation to address it.

The Division has made good progress on the two partially implemented recommendations by establishing controls for system processing issues and indicating it will request legislation during the 2003 legislative session to allow the use of asset attachments. In addition, at the May 8, 2002 subcommittee meeting, the Director of the Department of Employment, Training and Rehabilitation stated a bill draft request would be submitted to amend NRS 612.365 increasing the collection period from three to five years.

Employment Security Division

Department of Employment, Training and Rehabilitation

Results in Brief

The Division's collection procedures are not effective in maximizing the collection of unemployment benefit overpayments. Several factors hinder the Division's collection process. First, the Division does not use all available collection techniques. Second, statutory restrictions limit the period of time available for collecting overpayments. As a result, the Division's collection rate is well below regional and national averages. State laws and regulations provide guidance for recovering monies owed the State. Following this guidance and implementing other collection tools could generate thousands of additional dollars for Nevada's Unemployment Insurance (UI) program.

Although the underlying data examined in the General Unemployment Insurance Development Effort (GUIDE) overpayment database was accurate, system processing problems impact collection reports. These processing problems have resulted in collection reports generated by the database for internal and federal government purposes being unreliable. Additionally, overpayment information contained in the database system can be changed with little oversight. Because of database problems, a process was implemented to identify system issues and take corrective action. However, this process could be improved to better ensure the resolution of the system problems.

Principal Findings

The BPC Unit is not using many of the collection methods set forth in state law or those used by other entities. As a result, Nevada's collection rate ranked in the bottom quarter when compared to other western states and nationally for the 9 months ended September 30, 2000. Nevada's collection rate was about 45%; however, the regional and national averages exceeded 65%. We estimate the BPC Unit could have recovered an additional \$800,000 for the UI program in 2000 by attaining collection rates similar to the regional and national averages.

Current statutory requirements limit BPC's ability to recover benefit overpayments after 3 years has elapsed. Our testing found that claimants often continue to pay their obligation beyond 3 years. Fifteen of 23 overpayment records we tested had some collection activity after the 3-year statutory restriction. About \$19,000 was received after 3 years had elapsed in the 15 records examined.

The GUIDE system has the ability to produce a variety of management reports. However, some reports are unreliable. BPC's June 30, 2000, accounts receivable report showed a total overpayment balance of approximately \$6.9 million while the federal overpayment activity report showed a balance amounting to over \$15 million.

Overpayment information can be modified after a claim is entered into the GUIDE system. Although activity reports have been developed to control changes to overpayment records, these reports are not always reviewed by management.

The Software Error/Enhancement Report process is used to track the programming needs of the Division. However, our audit found this process needs improvement to ensure all necessary changes are logged into the database, system changes are assigned based on their priority level, and appropriate changes are completed timely.