



STATE OF ILLINOIS

OFFICE OF THE AUDITOR GENERAL

SUMMARY REPORT
UNIVERSITY UNEMPLOYMENT
BENEFIT TESTING

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SUMMARY REPORT: UNIVERSITY UNEMPLOYMENT BENEFIT TESTING

REPORT CONCLUSIONS

Inadequate controls over unemployment benefits resulted in the State paying inappropriate unemployment benefits to current and former university employees. Detailed unemployment testing was conducted as part of our 1999 compliance audits at all State universities, except at the University of Illinois which had been reviewed in prior years' audits (see Exhibit 1). The 8 universities examined paid 430 former or current employees \$1.3 million in unemployment benefits during Fiscal Year 1999.

Forty-two percent of the cases reviewed (107 of 255) contained exceptions which either resulted in questionable unemployment benefits paid to employees or lacked documentation necessary to review the appropriateness of the claim. We questioned \$173,262 of the \$739,589 in unemployment benefits paid to the 255 employees randomly sampled. These exceptions included:

- **Simultaneous Unemployment and Wage Earnings** – 32 benefit recipients were working at the university and collecting unemployment charged to the university at the same time. We questioned a total of \$22,273 in unemployment for 133 benefit weeks.
- **Resignations of Positions** – 16 benefit recipients resigned from the universities and went on to be paid \$70,713 for 275 weeks of unemployment.
- **Unemployment During Academic Break** – 8 benefit recipients received \$25,199 in questionable unemployment while on academic break between terms.
- **Additional Protestable Issues** – 12 benefit recipients received \$55,077 in questionable benefits based on other potential eligibility issues.

Universities also failed to report over \$84,000 in vacation payouts to the Illinois Department of Employment Security (IDES). Vacation payout is treated as wages and could have been used to offset some of the \$126,000 in unemployment benefits paid to 24 former employees.

Finally, 40 case files lacked all the information necessary to properly review the appropriateness of unemployment claims paid by the universities, such as separation documentation and claims and/or rulings from IDES.



INTRODUCTION AND BACKGROUND

The Illinois Department of Employment Security (IDES) is responsible for processing unemployment benefits to workers who become temporarily unemployed. Payment checks are drawn against the Unemployment Insurance Trust Fund. Illinois State government is known as a reimbursable employer – meaning that after a check is issued from the Trust Fund, the State reimburses the Fund on a dollar-for-dollar-basis.

Generally, funding for the reimbursement of unemployment compensation paid to all former State of Illinois employees comes from a General Revenue Fund appropriation to IDES. State universities are billed for 20 percent of the dollars expended on unemployment attributable to their former employees on a quarterly basis. The remaining 80 percent is paid from the General Revenue Fund appropriation.

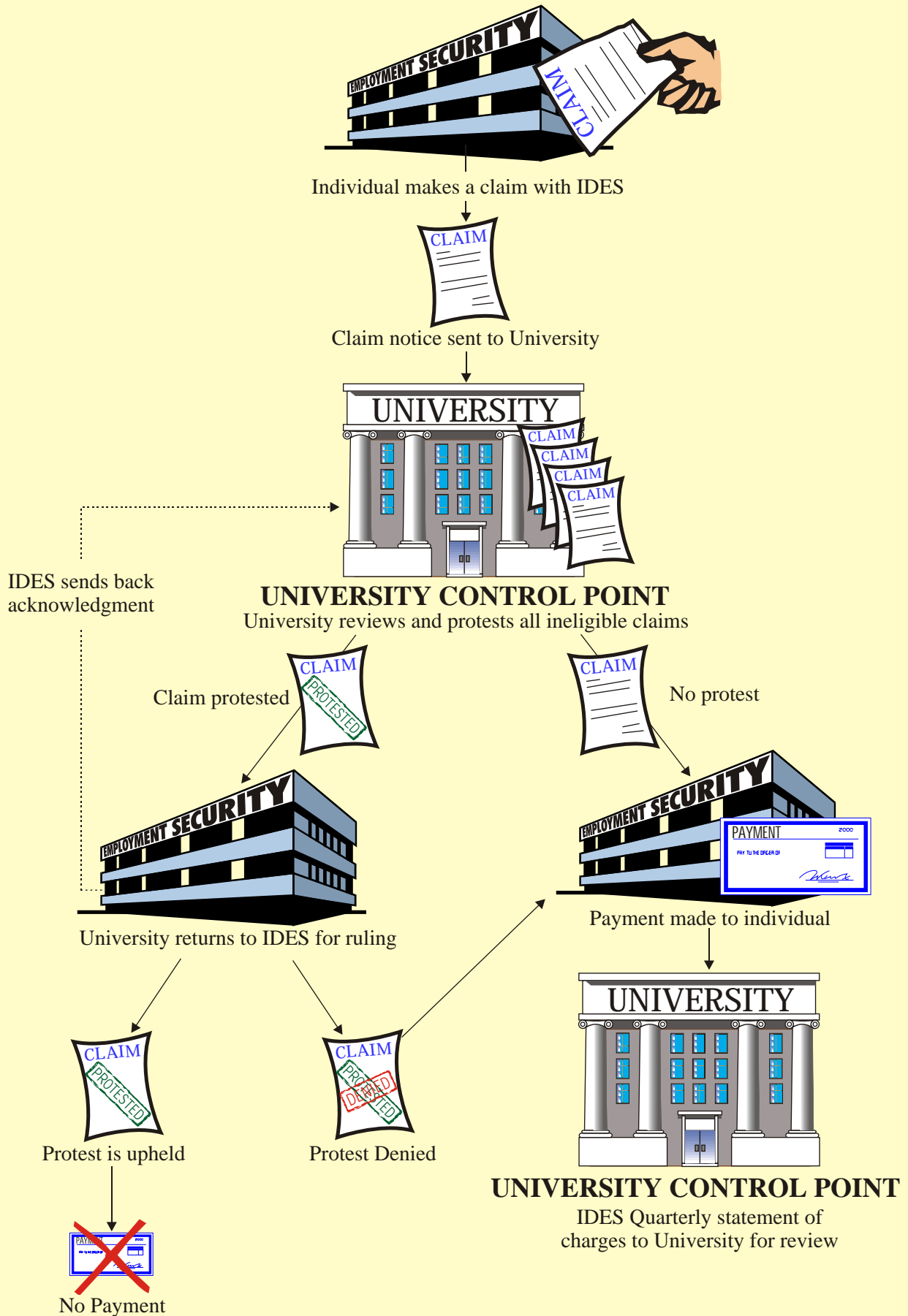
During FY99, 430 current or former employees of the eight universities within the scope of our unemployment benefit testing received over \$1.3 million in unemployment benefits. Exhibit 2 breaks out State unemployment expenditures by university.



Protection of State funds paid out in unemployment requires controls at both the individual's workplace (the State agency) and at the payment source (IDES). The employing agency must have controls to review all unemployment claims and protest all potentially ineligible claims. Exhibit 3 illustrates the control and payment process for unemployment benefits.

Once the State agency receives a claim notice from IDES, a review of the reason for separation and date of separation is necessary. All potential eligibility issues should be reviewed

Exhibit 3
UNEMPLOYMENT BENEFITS PROCESS



and protested in a timely manner. To retain protest rights, the agency must submit an initial timely and sufficient protest.

On a quarterly basis IDES sends out statements detailing benefit recipients charged to each agency's account. Good internal controls dictate that State agency personnel review these statements to ensure that all recipients were former employees and did not receive unemployment benefits while receiving wages for the same period. Additionally, personnel should ensure that IDES does not charge them for any previously filed successful protests.

Recent audits and studies conducted by the Auditor General have reported similar findings of questionable unemployment benefits being paid due to inadequate agency controls. In our 1995 Study of Summer Unemployment at State Universities, we found instances at the University of Illinois of employees simultaneously receiving both unemployment checks and paychecks.

Additionally, in 1995 at IDES, \$475,000 in benefit payments were questioned due to unreported wages by recipients while they were receiving unemployment. We recommended IDES review their benefit investigation process. Additionally, IDES initiated a program to investigate all State government cases where benefits and wages were reported in the same period. As a result, over \$1.7 million in overpayments by the State have been identified as of March 2000.

Other recent audits where we reported a lack of internal controls over monitoring unemployment compensation were:

- Department of Natural Resources (6/30/96),
- University of Illinois (6/30/97),
- Department of Rehabilitation Services (6/30/97),
- Chicago State University (6/30/98), and
- Illinois Department of Transportation (6/30/98).

QUESTIONABLE UNEMPLOYMENT BENEFITS PAID

To determine whether State universities had the necessary controls to safeguard State assets used to pay unemployment to their former employees, we randomly selected 255 FY99 unemployment benefit recipients charged to university accounts. We found exceptions in 42 percent (107) of the cases. Some cases had multiple exceptions.

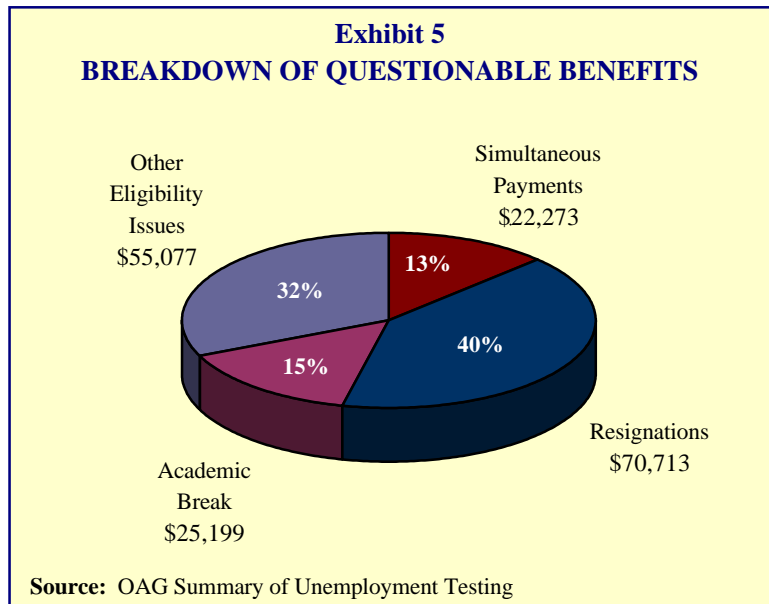
We found a wide range of exceptions – from 80 percent of the sample cases tested at Northeastern Illinois to 13 percent at Western Illinois. Three other universities, Governors State, Chicago State, and Northern Illinois, had at least 50 percent of their sample cases classified as exceptions during our review. Exhibit 4 presents the breakdown of exceptions by university.

None of the universities had procedures for staff to follow in processing unemployment claims through the university. We also noted a lack of understanding by staff of what was an appropriate protest or not. Additionally, not all eligibility issues were understood by university staff responsible for responding to claim notices. For instance, university staff questioned auditors regarding the impact of vacation payouts on unemployment.

University deficiencies in protesting potential cases of eligibility caused us to question the appropriateness of 23 percent (\$173,262 of \$739,589) in unemployment benefit payments tested. We grouped the exception types into four categories: simultaneous payments, resignations, personnel on academic break, and other eligibility issues. The breakdown of unemployment dollars in question are presented in Exhibit 5 and detailed in the following paragraphs.

Exhibit 4			
SAMPLE EXCEPTIONS BY UNIVERSITY			
University	Sample Size	Cases with Exceptions	Percentage
NEIU	20	16	80%
GSU	20	13	65%
CSU	30	19	63%
NIU	20	10	50%
EIU	25	12	48%
SIU	75	24	32%
ISU	35	9	26%
WIU	30	4	13%
Totals:	255	107	42%

Source: OAG Summary of University Testing



SIMULTANEOUS EMPLOYMENT

In 13 percent (32 of 255) of cases sampled, we found that the unemployment benefit recipient was receiving a university paycheck and unemployment check at the same time, as shown on Exhibit 6. Total questionable benefits paid to those 32 individuals totaled \$22,273. The university wages earned in these 32 cases were enough to eliminate or reduce the weekly benefit paid to the recipients.

The university is responsible for reviewing the quarterly charge statements received from IDES and protesting situations where the claimant was working during the period in which they were paid unemployment benefits. We found no evidence that the universities had protested payments to these 32 benefit recipients. In fact, some universities did not review the quarterly charge statement to any degree – other than to write the check for the university’s 20 percent of the benefits paid.

- Twenty-seven percent (8 of 30) of the cases sampled at Chicago State University involved simultaneous earning of wages and unemployment benefits.
- Fifteen percent (11 of 75) of the cases sampled at Southern Illinois University had this “double-dipping.”

RESIGNATIONS

Sixteen individuals received unemployment benefits even though they resigned their employment with the university. We questioned the 275 weeks of benefits totaling \$70,713 paid to these individuals. Exhibit 7 shows the number of questioned cases at each university and the amount of questioned benefits.

Exhibit 6 SIMULTANEOUS EMPLOYMENT EXCEPTIONS BY UNIVERSITY			
University	# of Cases	Dollars in Question	# of Weeks in Question
CSU	8	\$8,722	47
SIU	11	\$5,749	38
NEIU	6	\$4,069	19
GSU	1	\$1,408	16
ISU	3	\$1,128	8
EIU	2	\$992	3
NIU	1	\$205	2
Total:	32	\$22,273	133

Source: OAG Summary of Unemployment Testing

Exhibit 7 RESIGNATION EXCEPTIONS BY UNIVERSITY			
University	# of Cases	Dollars in Question	# of Weeks in Question
GSU	2	\$16,425	52
NEIU	3	\$13,287	48
SIU	4	\$12,302	55
CSU	2	\$10,526	38
NIU	3	\$8,994	54
WIU	1	\$7,027	20
ISU	1	\$2,152	8
Total:	16	\$70,713	275

Source: OAG Summary of Unemployment Testing

Individuals are ineligible for unemployment benefits for weeks in which they have voluntarily left work without good cause attributable to the employer (820 ILCS 405/601). However, none of the cases were protested to IDES as an eligibility issue by the universities.

- Two employees at Governors State resigned from their positions at the university and collected \$16,425 for 52 weeks of questionable benefits – all of which were not protested by the University.
- At Western Illinois, a faculty member resigned from the university and received \$7,027 in unemployment that was not protested.

ACADEMIC BREAK

Four universities (ISU, CSU, NIU and WIU) failed to protest a total of eight cases where the individual applying for benefits was on break between academic terms. The State paid \$25,199 in unemployment to the 8 benefit recipients encompassing 88 weeks of unemployment, as shown on Exhibit 8.

Individuals are ineligible for unemployment benefits between academic terms when they performed work in the previous term and have a reasonable assurance of rehire in the following academic term (820 ILCS 405/612). In 7 of the 8 cases, the individuals were faculty members with a history of rehire – some even obtaining an offer sheet from the university for the following term.

Exhibit 8			
ACADEMIC BREAK EXCEPTIONS			
BY UNIVERSITY			
University	# of Cases	Dollars in Question	# of Weeks in Question
ISU	2	\$11,825	37
CSU	2	\$5,293	20
NIU	2	\$4,304	16
WIU	2	\$3,777	15
Total:	8	\$25,199	88
Source: OAG Summary of Unemployment Testing			

OTHER ELIGIBILITY ISSUES

At 5 universities (CSU, GSU, NEIU, NIU and SIU) we questioned \$55,077 in unemployment payments to 12 individuals due to additional eligibility issues. These 12 individuals received 248 weeks of potentially ineligible unemployment because the universities failed to protest eligibility issues regarding: misconduct, students receiving unemployment benefits, retirees receiving unemployment, and failure to be the last 30-day employer for the individual.

Misconduct

Individuals are ineligible for unemployment benefits for weeks in which they have been discharged due to misconduct associated with their job (820 ILCS 405/602). We found eight instances where misconduct appeared to have been a protestable issue. However, the universities failed to protest these claims that resulted in questionable benefits totaling \$28,405 being paid for 130 weeks of unemployment. Documentation obtained from university files illustrated discharges for: excessive absences, a court order, unlawful activity, and failure to comply with department regulations. The universities that failed to protest misconduct issues in our sample along with our questioned amounts were:

- NEIU 4 instances \$15,174 for 62 weeks,
- SIU 1 instance \$6,680 for 29 weeks,
- NIU 1 instance \$3,273 for 25 weeks,
- GSU 1 instance \$2,816 for 11 weeks, and
- CSU 1 instance \$462 for 3 weeks.

Student Worker

Governors State failed to protest a claim where a student worker from the University submitted a claim for unemployment benefits. We questioned the \$9,634 in unemployment for 28 weeks of benefits paid to this student. The Illinois Unemployment Insurance Act (820 ILCS 405/224) does not recognize service performed by students at a school, college or university as employment. If this student was otherwise eligible for unemployment benefits from previous employment, it should not have been charged to the State, and Governors State should have formally protested. Additionally, to be eligible for unemployment an individual has to be available, able, and actively seeking work. A full-time student would appear not to qualify under this definition.

Retired Worker

Chicago State failed to protest that an individual claiming unemployment benefits had retired from the University. The retiree was paid \$9,639 in unemployment benefits for 31 weeks. The Illinois Unemployment Insurance Act (820 ILCS 405/611) treats retirement payments as disqualifying income based on the amount of retirement in relation to the individual's weekly benefit amount. Failure by Chicago State to report the retirement status of the individual does not allow IDES to make an eligibility ruling on the claim and increases the possibility that State funds are expended unnecessarily.

30-Day Employer

Chicago State failed to protest their chargeability for an unemployment claim made by an individual who worked less than 30 days for the University. The individual worked the

equivalent of 16.8 days, was paid \$1,509 in wages, and then received \$1,575 for 21 weeks of unemployment. Generally, to be considered a chargeable employer, the employee must have worked at least 30 days for the employer (56 Ill. Adm. Code 2765.325).

Governors State also failed to protest a similar situation where the individual received \$1,998 in wages and then received \$5,824 for 38 weeks of unemployment.

VACATION

Universities failed to report to IDES over \$84,000 in vacation payouts received by 24 individuals. These 24 individuals collected \$125,645 for 480 weeks of unemployment paid by the State. Exhibit 9 presents the seven universities that failed to report vacation payments.

The Unemployment Insurance Act (820 ILCS 405/610) treats the payment of vacation in connection with a separation or layoff as wages that can postpone the receipt of unemployment benefits for the recipient. Vacation payments are to be protested on unemployment claim notices sent to the employer or at a later date if the payment is made subsequent to the filing of the claim. Prudent business practice dictates that all potential ineligibility be protested so that the State does not expend funds unnecessarily.

Exhibit 9				
VACATION PAYMENT EXCEPTIONS				
University	# of Cases	Vacation Payments (\$)	Benefit Dollars	Benefit Weeks
CSU	6	\$36,607	\$46,266	145
SIU	7	\$14,060	\$41,524	161
EIU	2	\$12,143	\$11,313	42
NEIU	2	\$7,960	\$12,592	38
GSU	2	\$7,421	\$3,133	12
NIU	4	\$5,390	\$10,403	80
ISU	1	\$567	\$414	2
TOTAL	24	\$84,148	\$125,645	480
Source: OAG Summary of Unemployment Testing				

Due to different payout periods, we were unable to ascertain a definitive questionable payment amount that was lost by the State due to the failure of the universities to protest this issue. If proper protests were filed, including the designation of the period covered by the vacation payout, then State dollars paid out in unemployment would be minimized.

Chicago State failed to report over \$36,000 in vacation payments to six individuals separated from university employment. Eastern Illinois allowed one of the two cases to accrue vacation time, which was not reported to IDES, during a 30-day period in which the individual did not actually perform work for the university. The university abolished a total of 13 food service positions in a reorganization and allowed the individuals to take 30 days off with pay rather than giving the individuals a 30-day layoff notice during which period they would still be required to work.

DOCUMENTATION

Proper controls for monitoring unemployment dollars expended by the State include the retention of the necessary external and internal documentation to evaluate whether an unemployment claim, or unemployment charge on the quarterly statement, was valid. External, or IDES, documentation would include the claim notice and any applicable protests and rulings issued by IDES. This documentation assists university personnel in monitoring each claim and charge.

For example, if IDES rules in favor of a university protest to an unemployment claim, that ruling/documentation is essential to maintain in case IDES mistakenly goes ahead and pays the claimant. Internal documentation would consist of evidence to show the separation date and reason for separation. This internal documentation should assist university personnel in putting together a case against allowing benefits. For example, an employee's letter outlining the reason for resignation would be critical in proving the university's` case for protest.

We noted 40 instances where some piece of documentation, either external, internal, or both, were missing from university files on our sample cases.

UNIVERSITY UNEMPLOYMENT RECOMMENDATIONS

In general, we recommended that all the universities develop formal policies and procedures for the review of unemployment activity that includes protesting all cases of potential ineligibility and review of the quarterly charge statements so that State resources were adequately protected.

All the universities concurred with the recommendations and reported that they either had, or were in the process of, implementing procedures and controls to address the findings. Additionally, universities responded that they were developing internal teams to review the problems reported in the findings or were moving responsibility up to a higher level within the university.