



## MISSISSIPPI DEPARTMENT *of* EMPLOYMENT SECURITY

OFFICE OF THE GOVERNOR

Ms TOMMYE DALE FAVRE

EXECUTIVE DIRECTOR

### Financial Audit Findings

Stacey Pickering, State Auditor  
Office of the State Auditor  
State of Mississippi  
P. O. Box 956  
Jackson, MS 39205-0956

February 17, 2009

Dear Mr. Pickering:

The Mississippi Department of Employment Security appreciates this opportunity to submit responses to the audit findings for the year ended June 30, 2008 for Enterprise Fund 8191.

### **Audit Findings:**

#### Finding 2008-15

Response: MDES agrees that an overstatement of receivables resulted from a lapse of procedures that were in place to prevent excessive assessments from occurring. The condition was identified during 2007 and addressed by the MDES quickly. MDES now has a system to cap assessments at \$1,000 in cases where there is no historical basis (employer has never filed a tax report) for establishing a reasonable assessment.

#### Corrective Action Plan:

- A. The new procedures are electronic and will be randomly reviewed by supervisory staff in the Tax Department (unit supervisor) each quarter after the assessments are made to ensure that the process is functioning properly. The Tax Department manager will also review this process annually to ensure that the assessments are reasonable.
- B. Contacts for this corrective action are Erin Landrum, Department Chief and Dale Smith, Director, Office of Customer Operations Support.
- C. Currently in place.
- D. N/A

#### Finding 2008-16

Response: MDES accepts this finding. Proper supervisory reviews and necessary reports are being developed to ensure that delinquent accounts information is properly recorded and

maintained. Each account that is flagged to not receive a delinquent action for a quarter has the flag changed back so the appropriate action will be processed in future quarters.

Corrective Action Plan:

- A. New programs are under development that will provide management/supervisory reports to review occurrences of such events. Supervisory and management staff will periodically review and provide training to staff found deficient in this area. Further, suggested logs are maintained for review to ensure that employer accounts are properly flagged. Financial statement preparation has been modified to ensure proper reporting of receivable amounts.
- B. Contacts for this corrective action are Erin Landrum, Department Chief and Dale Smith, Director, Office of Customer Operations Support.
- C. Workforce Enhancement Training Account receivables have been separated from UI Contributions receivables and are accounted for separately. Necessary reports are under development. Expected completion date is June 2009.
- D. N/A

Finding 2008-17

Response: MDES accepts this finding. Collateralization of the accounts is a priority with MDES. The Tax Department manager will periodically review collateral and will ensure that MDES unemployment insurance and Workforce Enhancement Training (WET) Fund Holding accounts are properly collateralized.

Corrective Action Plan:

- A. All accounts except the WET Fund Holding Account will be collateralized at 110% as required by law. The WET Fund Holding account will be collateralized at 105% since it is not an unemployment insurance account. Collateral statements will be secured from each depository on a monthly basis and will be retained by staff and available for audit inspection for a reasonable period after the close of the fiscal year.
- B. Contacts for this corrective action are Erin Landrum, Department Chief and Dale Smith, Director, Office of Customer Operations Support.
- C. Currently in place.
- D. N/A

Finding 2008-18

Response: MDES accepts this finding. Although the staff has been balancing all bank statements, the process for the Workforce Enhancement Training (WET) Fund account involved balancing debit and credit activity to the trial balance instead of balancing the actual bank balance to the bank balances on our books.

Corrective Action Plan:

- A. MDES has corrected the process and staff will balance the account to the ending bank balance and to the books and trial balance each period.

- B. Contacts for this corrective action are Erin Landrum, Department Chief and Dale Smith, Director, Office of Customer Operations Support.
- C. Currently in place.
- D. N/A

Finding 2008-19

Response: MDES accepts this finding. We now have procedures in place for a random supervisory review of the new hire directory process. With the volume at 17,100 +/- quarterly makes it unreasonable to expect that all issues will be resolved, especially since some employers will not respond to MDES requests for information.

Corrective Action Plan:

- A. Staff will make two written attempts to contact the customer for information followed by two telephone attempts. If we are unsuccessful in securing the information, we will clear the account. Reports will be maintained and available for audit inspection as required by the US Department of Labor.
- B. Contacts for this corrective action are Erin Landrum, Department Chief and Dale Smith, Director, Office of Customer Operations Support.
- C. Currently in place.
- D. N/A

Finding 2008-20

Response: MDES agrees with this finding. Staff is working on a balancing process that will be completed shortly to balance month end contributions to the contributions account on the trial balance.

Corrective Action Plan:

- A. An interim process has been deployed to ensure that a batch sheet is prepared for the trial balance for each batch that is processed. Supervisory reviews of this process will be performed at random each month.
- B. Contacts for this corrective action are Erin Landrum, Department Chief and Dale Smith, Director, Office of Customer Operations Support.
- C. Anticipated date of completion is May 2009.
- D. N/A

Sincerely,



Ms. Tommye Dale Favre  
Executive Director