



[Report 17-10](#)
June 2017

State Auditor
[Joe Chrisman](#)

Unemployment Reserve Fund

Department of Workforce Development

Background

Wisconsin's Unemployment Insurance program, which was enacted in 1932 and was the first such program in the United States, is accounted for in the Unemployment Reserve Fund and managed by the Department of Workforce Development (DWD). The program, which provides benefits temporarily to replace a portion of wages lost when individuals become unemployed and meet certain eligibility requirements, is primarily funded through taxes paid by employers. Wisconsin Statutes created the Unemployment Insurance Advisory Council to advise DWD on matters related to unemployment insurance and make recommendations for unemployment insurance changes to the Legislature.

To help fulfill our statutory requirements, and at the request of DWD, we conducted a financial audit of the Fund by auditing the financial statements in accordance with applicable government auditing standards, issuing our auditor's opinion, and reviewing internal controls.

Audit Results and Key Findings

We provided an unmodified opinion on the Unemployment Reserve Fund's financial statements for fiscal year (FY) 2015-16 and FY 2014-15. We provide an unmodified opinion when audit evidence supports the conclusion that the financial statements provide a fair view of an entity's financial activity in accordance with generally accepted accounting principles. Our audit report also includes the Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters.

Accompanying the financial statements is the Schedule of Cash Balance Related to Taxable Employers, which is used to determine the state unemployment tax rate paid by employers. Wisconsin Statutes include four unemployment insurance tax rate schedules. The second lowest tax rate schedule is in effect during calendar year 2017 based on the Fund's cash balance as of June 30, 2016.

The Fund's net position was \$1.2 billion as of June 30, 2016, which was an increase of \$905.0 million since June 30, 2014.

The increase in net position is a result of revenues from employer taxes and other sources exceeding benefit payments and transfers since June 30, 2011. Due to its improved net position, the Fund has not borrowed from the federal government since July 2014.

We also found:

- the U.S. Department of Labor recommends that states have sufficient unemployment reserves to sustain 12 months of benefit payments, which is approximately \$1.8 billion for Wisconsin for 2016, according to DWD staff; and
- the Fund earned \$17.0 million in interest in FY 2015-16 and \$5.6 million in FY 2014-15 because the cash balance maintained in the Federal Unemployment Trust Fund remained positive beginning July 2014.



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