



BRIEFING SHEET

Report 15-8

July 2015

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 temporarily provides benefits 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 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, reviewing internal controls, and making recommendations for improvements.

Audit Results and Key Findings

We provided an unmodified opinion on the Unemployment Reserve Fund's financial statements for fiscal year (FY) 2013-14 and FY 2012-13. 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 highest tax rate schedule is in effect during calendar year 2015 based on the Fund's cash balance on June 30, 2014.

During FY 2013-14, the Fund's net position increased from negative \$208.4 million as of June 30, 2013, to \$329.4 million as of June 30, 2014. Because of the improved net position, the Fund was able to temporarily repay a federal loan in May 2014, and the Fund has not borrowed from the federal government since July 2014. We also found:

- the net position of the Fund increased beginning in FY 2011-12 due to increased tax revenue from employers, assessments on employers made by the federal government because the Fund's cash balance was negative, and a decrease in employer-funded benefits; and
- the U.S. Department of Labor recommends that states have sufficient reserves to sustain 12 months of benefit payments. For Wisconsin, DWD staff indicate this amount is approximately \$1.6 billion for 2014.

Audit Recommendation

To help avoid future federal borrowing and associated interest payments that must be paid from sources such as special assessments on employers or general purpose revenue, we recommend DWD continue to work with the Unemployment Insurance Advisory Council and take steps to further improve the net position of the Fund.

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