



United States
General Accounting Office
Washington, D.C. 20548

General Government Division

B-279597

December 18, 1998

The Honorable Fred Thompson
Chairman, Committee on Governmental Affairs
United States Senate

Subject: Unemployment Insurance for Temporary Census Employees

Dear Mr. Chairman:

Like other federal agencies, the Bureau of the Census is financially responsible for the unemployment insurance claims of its eligible former employees, including temporary census workers. However, we reported in 1994 that the Bureau was unable to properly account for its unemployment insurance funds because of certain financial management deficiencies.¹

This letter responds to your request that we (1) provide the Bureau's cost estimates for its unemployment insurance program for the census dress rehearsal² and 2000 Census and (2) describe the current status of the Bureau's financial management improvement efforts relating to management of its unemployment insurance funds.

To meet these objectives, we interviewed Bureau budget officials and obtained the Bureau's unemployment insurance estimates for its Periodic Censuses and Programs account for fiscal years 1998 through 2000, which is the period covering the dress rehearsal and decennial census operations. We also examined documents from the Bureau describing its 1994 financial management reorganization and the implementation of a new payroll, budget, and accounting system in fiscal year 1997.

Our work was performed in Washington, D.C., between June and November, 1998, in accordance with generally accepted government auditing standards. The Department of Commerce provided written comments on a draft of this letter. Commerce's comments consisted of technical revisions, which we incorporated where appropriate.

¹ Bureau of the Census: Management Issues Require Prompt Attention (GAO/T-GGD/AIMD-94-171, June 9, 1994).

² The dress rehearsal for the 2000 Census, which was held at three sites across the country, was designed to give the Bureau an opportunity to demonstrate and test operations for the 2000 Census.

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Results in Brief

The Census Bureau estimates that it will spend \$91.2 million to cover the cost of claims for unemployment insurance benefits from its former employees for fiscal years 1998 through 2000. The Bureau based this estimate primarily on anticipated claims from the Bureau's temporary employees to be hired for operations related to the 2000 Census.

Since 1994, the Bureau has taken actions to improve its financial management operations, including management of its unemployment insurance funds. These actions included (1) establishing a Chief Financial Officer position and an Office of the Comptroller; (2) implementing a new payroll, budget, and accounting system; (3) auditing its annual financial statement; and (4) revising the Bureau's procedures for managing no-year funds—that is, appropriations available for obligation without a fiscal year limit³—and unliquidated obligations—that is, obligations that have been incurred but not yet paid at the end of the fiscal year.

Background

Since January 1, 1955, federal civilian employees have had unemployment insurance protection.⁴ Following federal guidelines, states specify the level and duration of benefits and conditions for benefit eligibility. States must provide unemployment insurance to unemployed former federal employees in the same amount and under the same terms and conditions that apply to eligible nonfederal workers. All states require that claimants, to receive payments, must be unemployed because of lack of work and must be able and available for work. State unemployment benefit laws and policies vary regarding eligibility requirements, payment amounts, and duration of payments.

As federal employees, temporary census employees are eligible for unemployment insurance benefits. In fact, this is one of the few employee benefits that temporary census employees receive. The Census Bureau, like other federal agencies, is responsible for paying the unemployment benefits of its former employees. The Bureau does so by transferring funds to a Department of the Treasury account that states draw on to pay benefits to former employees. The transfer amount is specified in a quarterly bill from the Department of Labor showing the benefit amounts that each state paid to the Bureau's former employees. Using historical transfer payment and other information, the Bureau develops budget estimates and obligates appropriations to cover these expenses.

In our June 1994 testimony, we said that because of incomplete and conflicting Bureau records, we were unable to determine the precise amount of unemployment insurance the Bureau paid for its 1990 Decennial Census employees.⁵ We also reported that the Bureau had

³ Congress has authorized the use of no-year appropriations to pay for Bureau programs, such as the decennial census, that require several years to complete.

⁴ Chapter 85, Title 5, U.S.C.

⁵ GAO/T-GGD/AIMD-94-171.

created duplicate obligations for unemployment benefit claims because it was unable to match its payments to unemployment insurance funds it had already obligated and allocated to various divisions, projects, and years, and failed to recover (deobligate) in a timely manner the funds originally obligated.

The inability of the Bureau to properly account for its unemployment insurance funds was the result of several financial management deficiencies relating to the control of its no-year appropriations—funds that are available for obligation for an indefinite period. These financial management deficiencies resulted in (1) a buildup of unspent funds for obligations incurred but not paid at the end of the fiscal year (unliquidated obligations) and (2) delays in deobligating and reobligating these funds in subsequent years.

The accumulation of unliquidated obligations caused the Bureau's budget documents to show a need for more appropriations than were actually required. We concluded in our testimony that sound financial management was essential to maintain the Bureau's credibility with Congress so that it could obtain the funds needed to plan for the 2000 Decennial Census. The Bureau and the Department of Commerce had also recognized the need to improve their financial management operations and had begun or planned to take actions that we believed would address the problems we found.

To conduct the 2000 Census, the Bureau estimates that it will need to hire approximately 500,000 temporary employees. Most of these temporary workers will be performing labor intensive, census-taking operations, including the physical listing of household addresses and following up on those households that do not respond to census questionnaires. The Bureau will also hire temporary employees to staff local census offices to provide support for these operations.

Estimated Cost for Unemployment Insurance Claims for the Dress Rehearsal and 2000 Census

The Bureau's estimate for its Periodic Censuses and Programs account (primarily dress rehearsal and decennial census) totals approximately \$91.2 million for unemployment insurance for fiscal years 1998 through 2000. The estimate for fiscal year 1998 is about \$300,000 based on the anticipated costs of claims from former temporary employees hired for address list preparation and the dress rehearsal. The estimates for fiscal years 1999 and 2000 total \$6.2 million and \$84.7 million, respectively. Bureau budget officials attributed these expenses to continuing address list preparation and nonresponse follow-up for the decennial census.

These budget officials said that the estimate of \$6.2 million for 1999 revises the approximately \$1.5 million amount originally anticipated in the Bureau's February 1998 budget submission to Congress. The officials said the revised estimate for unemployment insurance reflects a later start and other operational changes for address list preparation. However, to put this in perspective, the fiscal year 1999 and 2000 estimates represent less than 1 percent and 4 percent, respectively, of what the Bureau expects to spend on its periodic censuses and programs.

Because eligible claimants may file for benefits up to 3.5 years after their employment is terminated, Bureau officials said they must carry unspent funds forward to subsequent fiscal years to ensure the availability of funds to cover these unliquidated obligations. However, the budget officials indicated that as the filing deadline for unemployment insurance claims approaches, estimates become more accurate and it may be possible for the Bureau to deobligate some funds before the 3.5 years have elapsed.

Budget officials described for us the assumptions they use to develop their estimates for unemployment benefits. Using the history for such benefits from the 1990 Decennial Census as a reference, the officials said they assume that 20 percent of the temporary census employees will file claims for unemployment insurance. Taking into account each state's different levels of benefits and different numbers of Bureau employees, they have developed a cost per claim of \$930.

The Bureau has Taken Steps to Improve the Financial Management of its Unemployment Insurance Funds

Since 1994, the Bureau has implemented several accounting and financial management reforms designed to improve key elements of its financial management operations, including its management of unemployment insurance funds. These reforms include the Bureau's reorganization of its financial management functions; implementation of a new departmentwide payroll, budget, and accounting system; and revision of the Bureau's budget procedures for managing unliquidated obligations and unemployment insurance funds.

On May 24, 1994, the Department of Commerce approved a reorganization of the Bureau. The reorganization was designed to improve strategic planning and financial accounting and to prepare the Bureau for reengineering the way it does business. Among the major actions the Bureau took to achieve these objectives was the establishment of positions for two principal associate directors reporting to the Director of the Bureau. One serves as Chief Financial Officer (CFO) and oversees administrative matters, which include the budget and finance functions in the Office of the Comptroller. The other is responsible for all demographic and economic programs. These two new principal associate director positions replaced the previous seven associate directors that reported to the Director. We noted in our 1994 testimony that each of the seven associate directors operated independently of the others, which limited the sharing of information and expertise across organizational lines.

The new principal associate director/CFO position increases the organizational emphasis on financial management. By establishing the CFO function for the first time and elevating the Office of the Comptroller to an organizational level equivalent to that of associate director, the Bureau recognized the importance of this function to its mission.

As part of a departmentwide effort to improve financial management, the Bureau and the Department of Commerce have implemented the Commerce Administrative Management System (CAMS), replacing the Bureau's expense/accounting system. According to Bureau documents, CAMS is intended to make the capturing of financial data easier and more efficient and to have the ability to produce auditable financial statements. For example, the

CAMS design integrates key financial modules that control all financial transactions (e.g., obligations, receipt, and disbursement); program budget allocations; and other functional systems, including payroll, travel, and inventory control.

In addition, Bureau officials said that the annual financial statement audits, which are to include budgetary obligations beginning with the statement prepared for fiscal year 1998, will further ensure that obligations are cleared from the accounting records in a timely fashion. The audit for fiscal year 1998 is expected to be completed in fiscal year 1999.

Bureau officials also indicated that they have changed procedures relating to their management of unliquidated obligations. The beginning balance of unliquidated obligations for fiscal year 1998 in the Bureau's Periodic Censuses and Programs account was \$46 million. This balance consisted of \$42.1 million in obligations from fiscal year 1997, \$3.7 million from fiscal year 1996, and \$0.4 million from fiscal year 1995 or earlier. The officials said that they now require Bureau managers to justify continuing to carry obligated balances. They said that the Bureau is recovering in fiscal year 1998 all obligated funds from the years before 1997 that have not yet been expended, unless managers can justify otherwise.

Unemployment insurance funds, which accounted for a significant portion of unliquidated obligations during our 1994 review, are now centrally maintained, with obligated funds and the related liabilities accrued on a monthly basis. Bureau officials explained that in October 1996, Congress and the Office of Management and Budget established a Working Capital Fund for the Bureau, giving it the authority to capture personnel benefits, such as unemployment insurance, and other common recurring costs in centralized projects. Using this fund, the Bureau now makes monthly accruals of all obligated funds and the related liabilities for unemployment insurance rather than allocate them to various projects, divisions, and years, as was the case during our June 1994 review. During fiscal year 1998, the Bureau accrued \$120,000 each month for its unemployment insurance obligations.

Further, the Bureau now uses a private sector company to process all unemployment insurance claims paid by Labor. The company supplies quarterly reports that provide detailed information on the insurance claims paid, which budget officials said they use to reduce the current accrued liabilities and to periodically review and make adjustments to the amount of accrued obligations to better match expected claims.

If effectively implemented, the reorganization, CAMS, the centralized management of unliquidated obligations, and the accrual process for budgeting unemployment insurance funds should help the Bureau to more accurately identify its appropriation requirements. For example, by not attempting to offset specific obligations (allocated to various divisions, projects, and years) by claims payments, the Bureau's accrual process should avoid the previous allocation matching problems and, potentially, the unnecessary buildup of unspent funds.

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We are sending copies of this letter to the Ranking Minority Member, Senate Committee on Governmental Affairs; the Chairman and Ranking Minority Member, Subcommittee on the Census, House Committee on Government Reform and Oversight; the Secretary of the Department of Commerce and the Director, Bureau of the Census. We will also make copies available to others on request. Please contact Robert Goldenkoff, Assistant Director, on (202) 512-2757 or me on (202) 512-8676 if you have any questions.

Sincerely yours,

A handwritten signature in black ink, appearing to read "J. Christopher Mihm". The signature is written in a cursive style with a large initial "J" and a prominent "M".

J. Christopher Mihm
Associate Director, Federal Management
and Workforce Issues

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