

4. No bank reconciliations have been prepared for a number of years for the cash funds on deposit with the State Treasurer's Office by the Finance Department to reconcile the cash on deposit with the State Treasurer with the balances in the Commission's general ledger. Finance Department personnel prepared a bank reconciliation as of June 30, 1998 and 1997 after we advised them that the audit could not be completed without the reconciliations. A prior period adjustment of approximately \$165,000 was required to adjust the cash balance as of June 30, 1997.
5. The Commission recorded a liability for outstanding checks for benefits paid out of the Unemployment Insurance Trust Fund. This liability is increased as checks are prepared and issued and decreased for checks paid by the bank or voided. The general ledger liability of approximately \$5 million was used on the bank reconciliation. The Unemployment Trust Fund Division did not have an actual listing of outstanding checks to supporting the balances. Over 30 days was required by Commission staff to prepare listings as of June 30, 1998 and 1997. There was approximately \$78,000 more in outstanding checks than reflected on the ledger as of June 30, 1998. Also, there does not appear to be any review of the bank reconciliations by someone other than the preparer.

Also, the reconciliation of the Unemployment Insurance Trust Fund account included an unreconciled difference of approximately \$217,000 as of June 30, 1997. During fiscal year 1998, the Unemployment Insurance Trust Funds Department personnel eliminated this unreconciled difference by increasing the cash asset general ledger account and the liability for outstanding checks general ledger amount by this amount. If a list of outstanding checks had been maintained to support this liability, trust funds personnel would have been able to determine whether this was the appropriate account to be adjusted.
6. The Commission's general ledger is set up in various subfunds to record revenues and expenditures in the correct federal or state fiscal year. Adjustments to correct various account balances are frequently posted to the wrong subfund causing both subfunds to have incorrect balances. We noted journal entries that were posted backwards and entries which did not have the general ledger account number on them showing which account the amounts were posted to in the general ledger. There are various old projects which have never been closed including one project from 1993 which is still open because the entry required to close it was posted backwards. We noted cases where a journal entry would be made to one account in one month and the same type of entry was posted to a different account in the following month. If a subsequent journal entry corrected the misposting, there was no reference back to the original journal entry providing an audit trail. In many cases these mispostings are not detected because no reconciliation was performed to balance the subsidiary ledger records to the general ledger balance. We also noted that the same individual is allowed to prepare and post journal entries and that no approval is required for these entries.
7. Various subfunds of the Commission with cash balances of approximately \$941,000 and \$674,000 as of June 30, 1998 and 1997, respectively and accounts payable balances of \$851,000 and \$714,000 as of June 30, 1998 and 1997, respectively were not included in the monthly and year end trial balances that were prepared by the Finance Department and used to prepare the Commission's annual financial statements.
8. Various computer reports run by the Commission from the same data file did not agree and the Commission could not explain the variances.
9. The Commission's general ledger contains some funds with balances that should be zero including cash and due to grantor. We also noted an allowance for doubtful accounts recorded in a fund with no receivables, credit balances in travel advances receivable as well as various other balance sheet accounts with balances that appeared to be incorrect.
10. The Commission is recording operating transfers between funds as an expenditure in one fund and recording the credit in the other fund directly to fund balance instead of reporting them as transfers in each fund.
11. The Commission recorded financial activities related to one subfund in both the general fund and expendable trust fund in fiscal year 1997 and 1998. This resulted in an overstatement of cash and due to grantor of approximately \$53,000 and an overstatement of revenues of approximately \$367,000 and expenditures of approximately \$314,000 in the unexpendable trust funds for 1998. An adjustment was made for this misstatement.