

Department of Employment Security

October 1997

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October 15, 1997

The Honorable John S. Wilder
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Speaker of the House of Representatives
The Honorable Kenneth N. (Pete) Springer, Chair
Senate Committee on Government Operations
The Honorable Mike Kernell, Chair
House Committee on Government Operations
and
Members of the General Assembly
State Capitol
Nashville, Tennessee 37243

Ladies and Gentlemen:

Transmitted herewith is the performance audit of the Department of Employment Security. This audit was conducted pursuant to the requirements of Section 4-29-111, *Tennessee Code Annotated*, the Tennessee Governmental Entity Review Law.

This report is intended to aid the Joint Government Operations Committee in its review to determine whether the department should be continued, abolished, or restructured.

Very truly yours,

W. R. Snodgrass
Comptroller of the Treasury

WRS/th
96/153

Audit Highlights

Comptroller of the Treasury

Division of State Audit

Performance Audit
Department of Employment Security
October 1997

AUDIT OBJECTIVES

The objectives of the audit were to review the department's legislative mandate; to determine the extent to which the department has carried out that mandate efficiently and effectively and complied with applicable laws and regulations; and to make recommendations that might result in more efficient and effective operation of the department.

FINDINGS

The Appeals Division Should Continue Its Efforts to Automate

The last U.S. Department of Labor on-site review of the Division of Appeals was performed in July 1996. Overall, the results of the review were very positive; however, the Department of Labor did make numerous recommendations, including several about the automation of the division: dictate (rather than handwrite) decisions, use automated call-in equipment for out-stationed or traveling referees in certain instances (nonappearances, withdrawals, etc.), and institute an automated system to track appeals cases from filing to decision. In responding to the review, the division said it was installing a local area network and adapting software for docketing, scheduling, and other case management purposes (page 12).

Sexual Harassment Rules Have Not Been Distributed to Employers as Required by Statute

Tennessee Code Annotated, Section 4-3-905, states that the "department of employment security shall, in consultation with the human rights commission, promulgate rules which provide for the distribution, in one of the department's regular mailings to the employers, of the state materials explaining the sexual harassment rules of the state human rights commission." In 1993, the department's legal staff prepared information on sexual harassment rules, with the intention of printing pamphlets and posters and mailing this information with employers' quarterly reports. Before printing the materials, however, department management determined that federal dollars, which are the primary source of funding for department administration, could not be used to draft, print, or distribute the sexual harassment rules (page 13).

OBSERVATIONS AND COMMENTS

The audit also describes the Employment Security Trust Fund, the possible devolution of the Federal Unemployment Tax Act (administrative financing reform), and the department's activities related to Families First. In addition, the audit discusses the attempt to convert the department's databases and systems to the state's mainframe and efforts to identify unemployment insurance claimants with child support obligations and deduct child support payments from unemployment insurance benefits (page 8).

"Audit Highlights" is a summary of the audit report. To obtain the complete audit report which contains all findings, recommendations, and management comments, please contact

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Performance Audit

Department of Employment Security

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Performance Audit Department of Employment Security

INTRODUCTION

PURPOSE AND AUTHORITY FOR THE AUDIT

This performance audit of the Department of Employment Security was conducted pursuant to the Tennessee Governmental Entity Review Law, *Tennessee Code Annotated*, Title 4, Chapter 29. Under Section 4-29-220, the Department of Employment Security is scheduled to terminate June 30, 1999. The Comptroller of the Treasury is authorized under Section 4-29-111 to conduct a limited program review audit of the department and to report to the Joint Government Operations Committee of the General Assembly. The audit is intended to aid the committee in determining whether the Department of Employment Security should be continued, abolished, or restructured.

OBJECTIVES OF THE AUDIT

The objectives of the audit were

1. to determine the authority and responsibility mandated to the department by the General Assembly;
2. to determine the extent to which the department has fulfilled its legislative mandate efficiently and effectively and complied with applicable laws and regulations; and
3. to develop possible alternatives for legislative or administrative action that could result in more efficient and/or effective operation of the department.

SCOPE AND METHODOLOGY OF THE AUDIT

The activities of the Department of Employment Security were reviewed for the period October 1992 through December 1996. The audit was conducted in accordance with generally accepted government auditing standards and included

1. review of applicable statutes and rules and regulations;
2. examination of the department's files, documents, policies and procedures, and reports to the U.S. Department of Labor;

3. review of prior performance audit and financial and compliance audit reports, audit reports from other states, and reviews by the U.S. Department of Labor;
4. interviews with department staff and staff of the U.S. Department of Labor; and
5. site visits to nine local offices.

ORGANIZATION AND RESPONSIBILITIES

The Unemployment Insurance Program is a joint federal-state program. Each state establishes laws and regulations governing its program within guidelines set forth by the Federal Unemployment Tax Act (FUTA) administered by the U.S. Department of Labor. The Department of Employment Security was created pursuant to *Tennessee Code Annotated*, Section 4-3-901, and has full and complete charge of the administration of the state employment security law (Sections 50-7-101 through 50-7-714). The department pays unemployment insurance benefits to workers unemployed through no fault of their own, provides a mechanism for obtaining employment through the Job Service program, and collects unemployment insurance premiums from employers.

The department has four operational areas—Field Operations, Unemployment Insurance, Job Service and Administration—and two quasi-judicial bodies in Appeals Operations—the Appeals Tribunal and the Board of Review.

Field Operations coordinates the administration of over 75 Employment Security local offices where claims initiate. Unemployment Insurance determines eligibility, pays benefits, and collects unemployment insurance premiums from employers and any benefit overpayments from claimants. Job Service provides a labor exchange system and services to individuals, employers, and special applicant groups. Administration includes Administrative Services, Information Systems, Fiscal Services, Affirmative Action/EEO Division, and Research and Statistics. Research and Statistics collects and disseminates labor force, unemployment, employment-by-industry, occupational, and wage information.

The Appeals Tribunal hears and decides appealed claims. The Board of Review may affirm, modify, or reverse any Appeals Tribunal decision appealed.

REVENUES AND EXPENDITURES

The Department of Employment Security had general fund expenditures of \$48.8 million in fiscal year 1996. The department received \$44.8 million in federal revenues, nearly \$4.1 million in other departmental revenue (e.g., interdepartmental, current services), but no state appropriations during fiscal year 1996.

The Unemployment Compensation Administration Fund is used for the department's administrative and operational expenses and is reported as part of the general fund. The Unemployment Compensation Special Administrative Fund consists of employer interest and penalty payments and is used for expenditures not covered by the federal funding (e.g., automation expenses).

FILING A CLAIM AND REGISTERING WITH JOB SERVICE

An individual (claimant) must file for benefits in a local office, be interviewed by an Employment Security interviewer, and complete a standardized claim form. An adjudicator reviews the claim and determines whether the claimant is entitled to benefits based on the information gathered. A decision is issued and notification mailed to the claimant and his or her employer. Either party can appeal the decision to the Appeals Tribunal. See Exhibit 1 for a flow chart of the claims and appeals process.

During calendar year 1996, a claimant in Tennessee received on average 12 weeks of benefits per claim. As of the second quarter of 1996, Tennessee's average weekly benefit amount of \$153.46 ranked 46 nationwide. Below are the state's unemployment rates for 1993 through 1996.

Table One
State of Tennessee
Unemployment Rate
Calendar Years 1993-1996

Year	Rate
1993	5.8%
1994	4.8%
1995	5.2%
1996	5.2%

In order to be eligible for benefits, claimants must make a reasonable effort to secure work and must (with some exceptions) register with Job Service. Job Service is also available to anyone seeking employment. Local offices may offer applicants standardized testing services, including aptitude tests and proficiency tests in typing, dictation, and spelling. Counseling may be available at local offices to help applicants choose or change occupations or adjust to the work world. Table Two details Job Service's activities in recent years.

Table Two
Job Service Statistics
1992-1996

	<u>October 1992 to September 1994</u>	<u>October 1994 to September 1996</u>
Job Orders Received	255,033	217,750
Individuals Referred	370,780	348,458
Individuals Placed	118,598	116,969
Individuals Registered	677,000	625,015
Aptitude Tests	6,761	9,050
Proficiency Tests	13,081	9,198
Counseling (including veterans)	2,079	897

Source: Department of Employment Security's Biennial Reports for October 1992 to September 1994 and October 1994 to September 1996.

Using computer terminals in the local offices, applicants may access the Automated Labor Exchange (ALEX) for self-directed searches of job listings, including federal jobs, nationwide. In addition, the Tennessee Department of Personnel has an agreement with the Department of Employment Security to place terminals in nine local offices with access to information on state government positions and testing for those positions. At these nine locations, applicants will be able, through the use of the Tennessee Employment Application Monitoring System (TEAMS), to register and test for approximately 80 state government positions that account for approximately 40 percent of total state jobs. Although state positions can be accessed through some ALEX terminals, TEAMS provides more information on state positions, as well as a means to register and test applicants.

APPEALS PROCESS AND FEDERAL REVIEWS

The Appeals Tribunal affords an appeals process for cases in which one of the interested parties to an unemployment compensation claim disagrees with the department's decision to pay or not to pay benefits to the claimant. After an appeal of an initial decision on a claim, the Appeals Tribunal, pursuant to *Tennessee Code Annotated*, Section 50-7-304 (c)(1), is to provide all interested parties an opportunity for a hearing and affirm, modify, or reverse the decision of the department. The Appeals Tribunal is the first level of appeals. A decision of the Appeals Tribunal may be appealed to the Board of Review.

Appeals referees conduct the hearings. Referees are located in the central office and in the larger local employment offices, but may travel to some of the smaller local offices to hear cases at the convenience of the parties involved. There are five full-time referees in West Tennessee, five full-time referees in Middle Tennessee, four full-time referees in East Tennessee, and three part-time referees in Middle Tennessee. If the parties agree, some hearings are conducted by

conference calls. After hearings, appeals referees determine decisions on the cases and mail or fax their decisions to Nashville for the processing of the decision of the Appeals Tribunal.

U.S. Department of Labor Oversight

The U.S. Department of Labor reviews the performance of the Appeals Tribunal through a Quality Appraisal process and Time-Lapse Performance. Prior to July 1996, the Quality Appraisal process consisted of a manual review (every three years) of a sample of cases. Now the review consists of verification of case data using a computer program. A sample of 20 cases each quarter is evaluated and scored by Employment Security, using certain federal criteria. A minimum of 80 percent of cases must score 80 percent of points or more. For the third and fourth quarters of 1996, the Appeals Tribunal met the Quality Appraisal criteria.

In addition to this quarterly review and evaluation, the U.S. Department of Labor randomly selects and assesses ten of the cases Employment Security evaluated and scored during the year. As of April 15, 1997, Appeals Division management had not been notified of the results of the 1996 assessment.

Time-Lapse Performance

The Time-Lapse Performance criteria require that a minimum of 60 percent of appeal decisions be made within 30 days and a minimum of 80 percent of appeal decisions be made within 45 days. During 1996, the Appeals Division failed to meet the 30-day criterion in January, April, May, and June, but met the 45-day criterion every month during 1996.

**Table Three
Appeals Tribunal
Time-Lapse Performance
1996**

	<u>Percentage of Decisions Made Within 30 Days</u>	<u>Percentage of Decisions Made Within 45 Days</u>
January 1996	52.1%	86.5%
February 1996	61.7%	81.6%
March 1996	60.5%	89.0%
April 1996	50.5%	84.9%
May 1996	53.4%	83.6%
June 1996	57.4%	83.7%
July 1996	63.2%	86.6%
August 1996	62.6%	87.5%

Table Three (cont.)

	<u>Percentage of Decisions Made Within 30 Days</u>	<u>Percentage of Decisions Made Within 45 Days</u>
September 1996	72.3%	89.0%
October 1996	79.3%	93.6%
November 1996	82.6%	95.1%
December 1996	80.8%	94.0%

See Finding 1 for a discussion of the results of the most recent federal on-site review of the Division of Appeals.

LOCAL OFFICE REVIEWS

Local employment offices are evaluated every two years by a team of representatives from the Divisions of Job Service and Unemployment Insurance and representatives from personnel, EEO, and field operations. The major program areas are reviewed, such as intake, applications, job ordering service, counseling, and testing. The content of the reviews is prescribed by the U.S. Department of Labor.

The local office review team seeks to obtain feedback from employers who have used Job Service to fill positions. Using a random sample of job orders filled, the team sends two questionnaires to employers: one validates placements, the other asks questions about satisfaction with the services Job Service provides. A placement is considered a success when an applicant has been hired and shows up for work regardless of the length of employment.

EMPLOYMENT SECURITY ADVISORY COUNCIL

The Employment Security Advisory Council was established under guidance from a prior version of the Social Security Act. As specified in *Tennessee Code Annotated*, Section 50-7-606, the department's commissioner has appointed a state advisory council. The statute mandates that the council consist of an equal number of employer and employee representatives and such members of the general public as the commissioner may designate. The duties of the advisory council are to aid the commissioner in formulating policies and discussing problems related to the administration of the employment security program.

The Employment Security Advisory Council has six members: two members represent employers, two represent employees, and two represent the general public. The council met on February 14, 1997. Prior to that meeting, the council had not met since December 1992. Neither federal law nor state law specifies a meeting frequency for the advisory council.

OBSERVATIONS AND COMMENTS

The issues discussed below did not warrant findings but are included in this report because of their potential effect on the operations of the department and on the citizens of Tennessee.

EMPLOYMENT SECURITY TRUST FUND

The Unemployment Compensation Fund (commonly known as the Employment Security Trust Fund) is used for depositing premiums from employers and paying benefits to claimants. Interest earned is retained in the fund. The most recent report on the trust fund, for calendar year 1996, indicated that the trust fund had a balance of \$808,781,000 with a forecasted balance of \$813,500,000 by the end of 1997.

A June 30, 1996, report on trust fund solvency from the U.S. Department of Labor indicates that Tennessee has a high-cost multiple of 0.78 and ranks 26 in the nation. The high-cost multiple, the federal government's means of evaluating trust fund solvency, represents the percentage of a year a state's trust fund could pay benefits if benefits were the same as the historically highest payout of benefits. High-cost multiples nationwide ranged from 3.02 to .12; the U. S. average was .68.

The department submits an annual report on the trust fund to the General Assembly, as required by statute. The report includes a Statement of Revenues, Expenditures, and Changes in Fund Balance as well as projections of revenues and benefits for six quarters. A summary of the annual reports for 1993 to 1996 is in Table Four.

Table Four
Employment Security Trust Fund
Revenues, Benefits, and Ending Fund Balance
1993-1996
(Expressed in Millions)
(As of December 31 of each year)

	1993	1994	1995	1996
Premiums Collected and Interest Earned	\$306.6	\$328.1	\$340.6	\$329.5
Benefits Paid	\$238.5	\$252.2	\$266.4	\$322.0
Ending Balance	\$655.1	\$729.9	\$802.7	\$808.8

The projections are based on a forecast model, the Tennessee Employment Security Insurance Model, developed in 1983-84 by the University of Tennessee's Center for Business and Economic Research. The model was designed to forecast unemployment insurance premium receipts, unemployment insurance benefits payments, and unemployment insurance trust fund balances for a 24-month period. According to department staff, the model will produce a high,

medium, and low forecast for revenues and benefits. The department uses the medium forecast in the annual report. A comparison of projections to actual is in Table Five.

Table Five
Employment Security Trust Fund
Actual Versus Forecasted Trust Fund
1993-1996
(Expressed in Millions)

	Premiums	Benefits	Ending Balance
Actual 1993	\$306.6	\$238.5	\$655.1
Forecast 1993	\$326.7	\$261.0	\$652.7
Difference			\$2.4
Actual 1994	\$328.1	\$252.2	\$729.9
Forecast 1994	\$348.8	\$254.5	\$749.4
Difference			(\$19.5)
Actual 1995	\$340.6	\$266.4	\$802.7
Forecast 1995	\$350.7	\$250.0	\$830.6
Difference			(\$27.9)
Actual 1996	\$329.5	\$322.0	\$808.8
Forecast 1996	\$346.1	\$285.6	\$863.2
Difference			(\$54.4)

Recently the department completed development of its own computerized econometric forecast and simulation model named SIMMOD. This model can be used to predict trust fund solvency during economic recessions; develop short-term and long-term forecasts regarding premiums, benefit payments, and trust fund levels under a variety of economic scenarios; and project the impact of proposed legislative changes to benefits and taxes. This is an informal model, which is used for operational purposes.

DEVOLUTION OF FUTA—ADMINISTRATIVE FINANCING REFORM

Several states are encouraging federal legislation to allow states to collect the Federal Unemployment Tax Act (FUTA) tax, consolidating state and federal FUTA reporting requirements, and to deposit the collections into a state subsidiary account of the federal Employment Security Administrative Account. In addition to the unemployment insurance premiums paid to the Trust Fund, employers pay premiums to the federal government under FUTA. The federal government reallocates the total FUTA taxes it receives to states to administer their employment security departments. However, the amount a state receives does not always equal the amount paid to the federal government by that state's employers—some states receive much more, others much less. In 1995, Tennessee employers paid \$121 million in FUTA taxes, but only about \$50 million (41%) of those taxes were reallocated to Tennessee for administration of the department.

According to the 1995 Report of the Tennessee Commission on Practical Government, over the past 12 years, Tennessee employers have paid an average of \$56 million more in FUTA taxes per year than the state has received to administer the department.

COMPUTER SYSTEM

The conversion of the department's databases and systems to the state's Amdahl main-frame began in October 1989 at the request of the Department of Finance and Administration. The primary rationale was to provide IBM compatible files to allow the sharing of data with other state agencies. However, the vendor working on the conversion asked for extensions as problems arose. In 1994, as an interim measure, Employment Security installed a software package that enabled sharing of data—the original and primary purpose for the conversion. In December 1995, the conversion of the department's computer system was delayed until further information could be obtained on potential changes to program and service delivery.

As of June 1995, the cost of the project to the department was \$11.0 million—\$4.0 million was paid from the Unemployment Compensation Special Administration Fund, and the remaining amount was paid with grant funds from the U.S. Department of Labor. A study by department management estimated that an additional \$4.7 million would be needed to complete the conversion process. Moreover, management was concerned that the conversion, once implemented, would increase the department's annual support and production expenses, and that additional federal funding for these increases would not be available. The federal government was reluctant to fund increased operating expenditures for at least one other state that had converted its employment security databases and systems. The rationale was that the conversion benefited the state overall (i.e., through improved data sharing) rather than the employment security department specifically. There is therefore some uncertainty about the availability of funds to finish the department's conversion and cover increased operating expenses.

CHILD SUPPORT OBLIGATIONS AND UNEMPLOYMENT INSURANCE

The department has been unable to fully comply with *Tennessee Code Annotated*, Section 50-7-611(a)(1). However, an alternative process has been developed. According to the statute, which was enacted in 1982, "an individual filing a new claim for unemployment compensation shall, at the time of filing such claim, disclose whether or not the individual owes child support obligations." The Commissioner of Employment Security is responsible for notifying the child support enforcement agency (the Department of Human Services) and for remitting amounts deducted from benefits to the proper authorities. However, Section 50-7-611(f) further states that "this section applies only if appropriate arrangements have been made for reimbursement by the state or local child support enforcement agency for the administrative costs incurred by the commissioner under this section."

Determining child support obligations at the time of filing would require the Department of Employment Security to generate a new claim application and add staff to manage the

administrative work (in 1983 the cost was estimated to be \$.50 per claimant interviewed). However, the Tennessee Department of Human Services chose not to pay these administrative costs (which in calendar year 1996 could have amounted to \$240,000 or more). As a result, the standardized forms claimants complete when filing claims do not ask about child support obligations and interviewers do not ask claimants if they have child support obligations. Instead, management of the two departments determined that it would be more cost-effective to use a computer cross-check—the child support intercept process. Under the fiscal year 1997 contract, Human Services pays Employment Security \$77,032 for its assistance.

To initiate the child-support-intercept process, Human Services provides Employment Security a computer tape listing the social security numbers of potential matches. Employment Security compares this tape to its benefit payment files and provides matches to Human Services weekly. Once Human Services has provided the computer file with the required information for the matches, Employment Security determines the deductions to be made and generates a form letter to the claimant. Amounts withheld are remitted to the state child support enforcement agency, except when the child resides in Shelby County. According to statute, “In counties having a population of . . . 700,000 or more according to the 1980 federal census or any subsequent federal census, the amount deducted shall be paid by the commissioner to the appropriate local child support enforcement agency.” According to Human Services, approximately \$1.8 million was collected from October 1992 (when the process began) to September 1995 using this method. (Information after September 1995 was incomplete.)

This process may take between six weeks and two months. As a result, staff believe opportunities to collect child support payments from weekly unemployment insurance benefits are lost, especially since the average length of a claim is only 12 weeks. Other factors beyond Employment Security’s control contribute to delays in collection, e.g., delays by local child support offices in acting on computer matches and delays in obtaining court orders.

Employment Security management pointed out a similar problem regarding food stamp overpayments—statute requires that these overpayments be collected from unemployment insurance benefits, but no funding was provided for the administrative cost of determining if claimants have food stamp allotment overpayments.

FAMILIES FIRST

The department has contracted with the Tennessee Department of Human Services to provide the Families First program 157 part-time employment security interviewers. These interviewers are responsible for helping Families First participants with job interview skills and job placement. The Job Service Technical Support division is training the part-time interviewers. According to Job Service data as of May 31, 1997, department staff had counseled 11,395 persons enrolled in Families First—6,502 of those were referred to jobs, and 5,213 had obtained employment. Of those who obtained employment, 1,906 were placed by the department and 3,307 obtained their own job after finishing the workshops and receiving department counseling.

FINDINGS AND RECOMMENDATIONS

1. The Appeals Division should continue its efforts to automate

Finding

The U.S. Department of Labor schedules a review of the Appeals Tribunal once every four years unless a problem arises. The last federal on-site review of the Division of Appeals was performed in July 1996. Overall the results of the review were very positive; however, the Department of Labor did make numerous recommendations, including several about the automation of the division. The following were among the 1996 recommendations:

- *Dictate decisions.* In the sample of decisions reviewed, none were dictated. Hand-writing decisions is more time consuming and increases the chance of mistakes.
- *Use automated call-in equipment for outstationed or traveling referees in certain instances (nonappearances, withdrawals, etc.).* An automated dictation system would provide referees access to the system 24 hours a day.
- *Institute an automated system to track appeals cases from filing to decision.* The Appeals Division is in the process of establishing a local area network (LAN) system for this purpose.

In responding to the review, the division said it was installing new computers and a local area network for referees to enter decisions for transmission to the central office. The division is also working on a LAN and software for docketing, scheduling, and other case management purposes. The projected date for completion of both is September 30, 1997. The division has dedicated a fax machine for use by referees to send information on nonappearances and withdrawals, and intends to purchase laptop computers for referees who travel from the central office.

Recommendation

The Appeals Division should continue its efforts to automate, including installing the LANs for transmittal of hearing decisions and for case management.

Management's Comment

We concur and are continuing to automate. The Appeals Tribunal and Board of Review are currently working with an Employment Security computer systems analyst who has analyzed the work flow and process, and will install a LAN and adapt selected software to docketing,

scheduling, and other case management purposes. A LAN Project team has been providing input as to the requirements of the system and feedback on the design. Currently, the automated scheduling portion of the program is under development. An initial prototype has been demonstrated to the project team.

When complete, the system will address the concerns as expressed in the U.S. Department of Labor recommendations. Specifically, the appeals referees will enter their decisions on the computer and transmit them to the Central Office. The document-sharing available via the LAN will not only eliminate errors due to misreading handwriting, but will also allow the referees to assume a more active role in the editing process. The system will be accessible 24-hours a day. Additionally, the system will provide real-time management information and case tracking information.

It is expected that the entire project will be completed prior to September 30, 1998.

The recommendation is feasible.

2. The department has not distributed sexual harassment rules to employers as required by state statute

Finding

The department has not complied with a 1993 state statute regarding distribution of information on sexual harassment rules to state employers. *Tennessee Code Annotated*, Section 4-3-905, states that the “department of employment security shall, in consultation with the human rights commission, promulgate rules which provide for the distribution, in one of the department’s regular mailings to the employers, of the state materials explaining the sexual harassment rules of the state human rights commission.”

In 1993, the department’s legal staff prepared information on the sexual harassment rules, with the intention of printing pamphlets and posters and mailing this information with employers’ quarterly reports. Before printing the materials, however, department management determined that federal dollars, which are the primary source of funding for department administration, could not be used to draft, print, or distribute the sexual harassment rules.

Employers can, however, obtain information on sexual harassment rules by contacting the Tennessee Human Rights Commission or the federal Equal Employment Opportunity Commission (EEOC). Although the Human Rights Commission does not have printed information on sexual harassment, it will provide technical assistance to an employer with a specific question about sexual harassment.

According to staff at the Nashville EEOC office, the EEOC has information on federal sexual harassment laws, but does not send this information to employers unless they call and request it. The EEOC also sponsors workshops on sexual harassment in Nashville and Memphis. However, this system does not ensure that all state employers have a copy of the rules or have a clear understanding of sexual harassment, employers' obligations, and potential liabilities if sexual harassment is proven.

Recommendation

The department should (1) determine the current costs of printing and mailing the sexual harassment materials and (2) evaluate whether resources are available from other sources (e.g., the special administrative fund) to fund the printing and mailing of the materials.

Management's Comment

We concur. The Tennessee Human Rights Commission incorporates the EEOC Sex Discrimination Guidelines by reference. Since there are no funds available for printing and mailing costs, the department will publish these guidelines in its employer newsletter. There will be no additional cost for printing and mailing as the department normally mails this newsletter anyway. The next issue of the newsletter will be mailed in December 1997.

RECOMMENDATIONS

ADMINISTRATIVE

The Department of Employment Security should address the following areas to improve the efficiency and effectiveness of its operations.

1. The Appeals Division should continue its efforts to automate, including installing the LANs for transmittal of hearing decisions and for case management.
2. The department should (1) determine the current costs of printing and mailing the sexual harassment materials and (2) evaluate whether resources are available from other sources (e.g., the special administrative fund) to fund the printing and mailing of the materials.