

# DISTRICT OF COLUMBIA OFFICE OF THE INSPECTOR GENERAL

OIG Project No. 22-1-33BH

January 2023



## **UNEMPLOYMENT COMPENSATION FUND**

### **Financial Statements (With Independent Auditor's Report) For Fiscal Years Ended September 30, 2022 and 2021**



#### *GUIDING PRINCIPLES*

*ACCOUNTABILITY \* INTEGRITY \* PROFESSIONALISM  
TRANSPARENCY \* CONTINUOUS IMPROVEMENT \* EXCELLENCE*

## **Mission**

Our mission is to independently audit, inspect, and investigate matters pertaining to the District of Columbia government in order to:

- prevent and detect corruption, mismanagement, waste, fraud, and abuse;
- promote economy, efficiency, effectiveness, and accountability;
- inform stakeholders about issues relating to District programs and operations; and
- recommend and track the implementation of corrective actions.

## **Vision**

Our vision is to be a world-class Office of the Inspector General that is customer-focused and sets the standard for oversight excellence!

## **Core Values**

Accountability \* Integrity \* Professionalism  
Transparency \* Continuous Improvement \* Excellence



GOVERNMENT OF THE DISTRICT OF COLUMBIA  
Office of the Inspector General

Inspector General



January 31, 2023

The Honorable Muriel Bowser  
Mayor of the District of Columbia  
Mayor's Correspondence Unit  
John A. Wilson Building  
1350 Pennsylvania Avenue, N.W., Suite 316  
Washington, D.C. 20004

The Honorable Phil Mendelson  
Chairman  
Council of the District of Columbia  
John A. Wilson Building  
1350 Pennsylvania Avenue, N.W., Suite 504  
Washington, D.C. 20004

Dear Mayor Bowser and Chairman Mendelson:

Enclosed is the final report entitled *Unemployment Compensation Fund Financial Statements (With Independent Auditor's Report) for Fiscal Years Ended September 30, 2022 and 2021* (OIG No. 22-1-33BH). McConnell & Jones LLP (MJ) conducted the audit and submitted this component report as part of our overall contract for the audit of the District of Columbia's general-purpose financial statements for fiscal year 2022.

On January 6, 2023, MJ issued its opinion and concluded that the financial statements are presented fairly in all material respects, in accordance with accounting principles generally accepted in the United States of America. MJ identified no material weaknesses in internal control over financial reporting.

If you have questions about this report, please contact me or Fekede Gindaba, Assistant Inspector General for Audits, at (202) 727-2540.

Sincerely,

A blue ink signature of Daniel W. Lucas.

Daniel W. Lucas  
Inspector General

DWL/ws

Enclosure

cc: See Distribution List

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Mr. Jed Ross, Director and Chief Risk Officer, Office of Risk Management  
Mr. Wayne McConnell, Managing Partner, McConnell & Jones LLP

**GOVERNMENT OF THE  
DISTRICT OF COLUMBIA  
UNEMPLOYMENT COMPENSATION FUND  
An Enterprise Fund of the District of Columbia  
FINANCIAL STATEMENTS**

**For the Years Ended September 30, 2022, and 2021  
(Together with Reports of the Independent Auditors)**

**GOVERNMENT OF THE DISTRICT OF COLUMBIA**  
**UNEMPLOYMENT COMPENSATION FUND**  
**FINANCIAL STATEMENTS**  
**YEARS ENDED SEPTEMBER 30, 2022 AND 2021**  
*(Dollar amounts expressed in thousands)*

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## INDEPENDENT AUDITOR'S REPORT

To the Mayor, Members of the Council of the Government of the  
District of Columbia, and Inspector General of the Government  
of the District of Columbia Washington, D.C.

### **Report on the Audit of the Financial Statements**

#### ***Opinion***

We have audited the accompanying financial statements of the District of Columbia Unemployment Compensation Fund (the Fund), an enterprise fund of the Government of the District of Columbia, as of and for the years ended September 30, 2022, and 2021, and the related notes to the financial statements, which collectively comprise the Fund's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Fund as of September 30, 2022, and 2021, and the changes in its financial position and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

#### ***Basis for Opinion***

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Fund and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

#### ***Responsibilities of Management for the Financial Statements***

The Fund's management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Fund's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

#### ***Auditor's Responsibilities for the Audit of the Financial Statements***

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.



In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Fund's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Fund's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

### ***Emphasis of Matter***

As discussed in Note 1 to the financial statements, the financial statements present only those of the Fund and do not purport to, and do not present fairly the financial position of the Government of the District of Columbia as of September 30, 2022 and 2021, the changes in its financial position or, its cash flows for the years then ended, in conformity with U.S. generally accepted accounting principles. Our opinion is not modified with respect to the matter.

### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 11, be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### ***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated January 6, 2023, on our consideration of the Fund's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Fund's internal control over financial reporting and compliance.

Washington, D.C.  
January 6, 2023



**GOVERNMENT OF THE DISTRICT OF COLUMBIA  
UNEMPLOYMENT COMPENSATION FUND**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
SEPTEMBER 30, 2022, AND 2021**

*(Dollar amounts expressed in thousands)*

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This section of the annual financial report of the Government of the District of Columbia Unemployment Compensation Fund (the Fund) presents management's discussion and analysis of the financial performance of the Fund for the fiscal years (FY) ended September 30, 2022, and corresponding fiscal years ended September 30, 2021, and 2020. This discussion has been prepared by management and should be read in conjunction with the financial statements and the accompanying notes to the basic financial statements. The management's discussion and analysis, financial statements, and footnote disclosures are the responsibility of the Fund's management.

**Reporting Entity**

The Fund was established by the Government of the District of Columbia (the District) to account for its unemployment compensation program. The Fund is administered by the District's Department of Employment Services (DOES). Substantially all administrative costs of the program are paid by federal grants and special purpose revenues, which are recorded in the District's General Fund.

**Financial Statement Presentation**

The Fund's basic financial statements consists of (a) a statement of net position; (b) a statement of revenues, expenses, and changes in net position, and (c) a statement of cash flows.

- Statement of Net Position

The Statement of Net Position presents the Fund's assets, liabilities, and net position for the fiscal year ended. Net position is the difference between assets and liabilities and is restricted for Unemployment Compensation. Over time, increases or decreases in the Fund's net position may serve as a useful indicator of whether the Fund's financial position is improving or deteriorating.

- Statement of Revenues, Expenses, and Changes in Net Position

The Statement of Revenues, Expenses, and Changes in Net Position presents the Fund's revenues and expenses during the year. The difference between revenues and expenses is reported as "changes in net position". All changes in the net position are reported as soon as the events underlying the changes occur regardless of the timing of the related cash flows. Thus, revenues and expenses reported in this statement also include items that will result in cash flows in future fiscal periods (for example, accrued revenues and accrued expenses).

- Statement of Cash Flows

The Statement of Cash Flows presents information on sources and uses of cash for operating and investing activities during the year.

**GOVERNMENT OF THE DISTRICT OF COLUMBIA  
UNEMPLOYMENT COMPENSATION FUND**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
SEPTEMBER 30, 2022, AND 2021**

*(Dollar amounts expressed in thousands)*

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**FINANCIAL HIGHLIGHTS**

The District's average unemployment rate for the fiscal year ended September 30, 2022 was 5.7%, which is a 1.4% decrease compared to 7.1% at the end of September 30, 2021, and a 0.1% decrease in the fiscal year ended September 30, 2021, compared to 7.2% at the end of September 30, 2020.

In early 2020, an outbreak of the novel strain of coronavirus (COVID-19) emerged globally and the World Health Organization (WHO) declared it a pandemic in March 2020. The COVID-19 pandemic affected major economic and financial markets, and virtually all industries and governments faced challenges associated with the economic conditions resulting from efforts to address it, along with record level unemployment, across all states. The Coronavirus Aid, Relief, and Economic Security (CARES) Act of 2020 was passed by Congress to protect the American people from the public health and economic impacts of COVID-19 and new unemployment compensation programs were established.

Unemployment compensation programs under the CARES Act are Pandemic Unemployment Assistance (PUA), Pandemic Emergency Unemployment Compensation (PEUC), Federal Pandemic Unemployment Compensation (FPUC) and Mixed Earners Unemployment Compensation (MEUC). Other federal assistance under the CARES Act included Extended Benefits (EB), Reimbursement for Waived Wait Week as well as Emergency Unemployment Relief for eligible employers.

Provisions for new unemployment programs under the CARES Act were extended by the American Rescue Plan Act of 2021 that was passed by Congress in March 2021. In accordance with Federal and District law, several federal unemployment benefits (PUA, PEUC, FPUC, and MEUC) offered through the American Rescue Plan Act (ARPA) expired on September 4, 2021; Extended Benefits expired on September 11, 2021. However, the Fund continues to make payments for backlog claims filed prior to the expiration of the programs.

All unemployment compensation benefits paid for programs under the CARES and ARPA Acts (The Acts) are 100% federally funded.

In addition to the expanded unemployment programs/assistance under The Acts, the District also received a federal grant under the Lost Wages Supplemental Payment Assistance program and the Short-Time Compensation program.

Additionally, on December 7, 2020, the Mayor announced a one-time stimulus payment to extend support to those District residents hit hardest by the COVID-19 pandemic using funds received in FY 2020. The one-time direct payment of \$1,200 was paid to District residents who filed and were deemed eligible for Pandemic Unemployment Assistance (PUA) as of November 30, 2020. PUA covers individuals who are not eligible for traditional unemployment insurance (UI) benefits. In FY 2022, \$4,990 in delayed unemployment compensation was also paid by the Mayor to District residents.

As of September 30, 2022, the Fund's assets exceeded its liabilities by \$157,532. The Fund reported an increase in net position of \$122,864 or 354.40%, as compared to a \$38,870 or 52.86% decrease in fiscal year ended September 30, 2021.

**GOVERNMENT OF THE DISTRICT OF COLUMBIA  
UNEMPLOYMENT COMPENSATION FUND**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
SEPTEMBER 30, 2022, AND 2021**

*(Dollar amounts expressed in thousands)*

**OVERALL FINANCIAL ANALYSIS**

The Fund's overall financial position improved because of the decrease in unemployment benefit payments for the fiscal year ended September 30, 2022. The Fund's financial position and operations for the fiscal year ended September 30, 2022, 2021 and 2020 are summarized in Tables 1 and 2.

**Table 1: Condensed Statement of Net Position**

*(Dollar amounts expressed in thousands)*

	<b>2022</b>	<b>2021</b>	<b>Change</b>	<b>2020</b>	<b>Change</b>
<b>Assets</b>					
Cash Held with U.S. Treasury	\$175,262	\$50,028	\$125,234	\$142,891	(\$92,863)
Receivables (net)	49,567	114,387	(64,820)	105,112	9,275
<b>Total Assets</b>	<b>224,829</b>	<b>164,415</b>	<b>60,414</b>	<b>248,003</b>	<b>(83,588)</b>
<b>Liabilities</b>					
Account payable	26,568	97,796	(71,228)	156,966	(59,170)
Due to D.C. Government	15,048	16,234	(1,186)	17,499	(1,265)
Due to Fed Government	25,681	15,717	9,964	-	15,717
<b>Total Liabilities</b>	<b>67,297</b>	<b>129,747</b>	<b>(62,450)</b>	<b>174,465</b>	<b>(44,718)</b>
<b>Net Position</b>					
Restricted for Unemployment Compensation Benefits	<b>\$157,532</b>	<b>\$34,668</b>	<b>\$122,864</b>	<b>\$73,538</b>	<b>(\$38,870)</b>

The Fund's largest asset is its cash held with U.S. Treasury, which represented 77.95% of the Fund's total assets as of September 30, 2022. In the fiscal year ended September 30, 2022 cash balance increased by \$125,234 or 250.33%, primarily due to cash receipts from employer taxes and government contributions significantly exceeding the unemployment benefit payments. In the fiscal year ended September 30, 2021 cash balance decreased by \$92,863 or 64.99% from the fiscal year ended September 30, 2020.

Receivables, net of allowance for doubtful accounts decreased by \$64,820 or 56.67% for the fiscal year ended September 30, 2022, mainly due to a decrease in receivables from funds transferred in from the District as well as due from the Federal government. The Fund's receivables consist of amounts due from employers for unpaid taxes, CARES Act credit to employers, claimants for unemployment benefit overpayments, the Federal government, and other states for unemployment benefits paid.

The Fund's total liabilities in the fiscal year ended September 30, 2022, decreased by \$62,450 or 48.13%, as compared to a decrease by \$44,718 or 25.63% in the fiscal year ended September 30, 2021. The Fund reported an estimated claimants' payable of \$12,150 as of September 30, 2022, which represents a decrease of \$67,681 or 84.78%, compared to 2021, mainly due to a decrease of the number of claims filed with the expiration of the expanded programs. In addition, accounts payable decreased by \$3,547 or 19.74% compared to September 30, 2021, mainly due to a decrease in amounts due to other states and CARES Act Reimbursable Employer Payment. As of September 30, 2021, accounts payable was \$17,965 which was a decrease of \$12,252 or 40.55% from September 30, 2020.

**GOVERNMENT OF THE DISTRICT OF COLUMBIA  
UNEMPLOYMENT COMPENSATION FUND**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
SEPTEMBER 30, 2022, AND 2021**

*(Dollar amounts expressed in thousands)*

Amounts due to D.C. Government represents unspent Reed Act, Unemployment Compensation Modernization funds, Short-Time Compensation Admin Assistance, interest, and penalties assessed, payments made by the District on behalf of the Fund and collection from employers for late tax payments/penalties but not yet paid to the District. Due to Federal Government represents claimants' overpayments from federal programs under the CARES Acts. As of September 30, 2022, the Fund's payables to D.C. Government decreased by \$1,186 or 7.31%, compared to September 30, 2021, and a decrease of \$1,265 or 7.23% compared to September 30, 2020. The decrease was primarily due to the decrease in the Reed Act Funds payments made by the District on behalf of the Fund and collection from employers but not yet paid to the District in the fiscal year ended September 30, 2022. The unspent Reed Act and Unemployment Compensation Modernization funds totaled \$9,580 at September 30, 2022 compared to \$10,438 at September 30, 2021 and \$10,205 at September 30, 2020. The Reed Act and Unemployment Compensation Modernization funds were received from the Federal government through the Reed Act and Modernization Accounts to pay for the Fund's administrative and modernization costs.

As of September 30, 2022, the Fund's current assets of \$224,829 were sufficient to cover current liabilities of \$67,297; a ratio of 3.34 in assets for every dollar in liabilities. As of September 30, 2021, the total current assets and current liabilities of the Fund were \$ 164,415 and \$129,747 respectively; a ratio of 1.27 in assets for every dollar in liabilities. Total current assets and current liabilities of the Fund were \$ 248,003 and \$174,465, respectively; a ratio of 1.42 in assets for every dollar in liabilities as of September 30, 2020.

**Table 2: Condensed Statement of Revenues, Expenses, and Changes in Net Position**

*(Dollar amounts expressed in thousands)*

	2022	2021	Change	2020	Change
<b>Operating Revenues:</b>					
Employer Taxes	\$136,267	\$145,775	(\$9,508)	\$139,833	\$5,942
Governmental Contributions	24,572	1,262,717	(1,238,145)	1,001,721	260,996
<b>Total Operating Revenues</b>	<b>160,839</b>	<b>1,408,492</b>	<b>(1,247,653)</b>	<b>1,141,554</b>	<b>266,938</b>
<b>Operating Expenses:</b>					
Unemployment Benefits	39,994	1,497,798	(1,457,805)	1,568,065	(70,267)
<b>Operating Income/(Loss)</b>	<b>120,845</b>	<b>(89,306)</b>	<b>210,152</b>	<b>(426,511)</b>	<b>337,205</b>
<b>Transfer and Non-operating Revenues:</b>					
Transfer In from the District	-	49,000	(49,000)	-	49,000
Interest Revenue	2,019	1,436	583	10,653	(9,217)
<b>Total Transfers and Non-operating Revenue:</b>	<b>2,019</b>	<b>50,436</b>	<b>(48,417)</b>	<b>10,653</b>	<b>39,783</b>
<b>Change in Net Position</b>	<b>122,864</b>	<b>(38,870)</b>	<b>161,735</b>	<b>(415,858)</b>	<b>376,988</b>
Total Net Position - Beginning	34,668	73,538	(38,870)	489,396	(415,858)
<b>Total Net Position - Ending</b>	<b>\$157,532</b>	<b>\$34,668</b>	<b>\$122,865</b>	<b>\$73,538</b>	<b>(\$38,870)</b>

## Revenues

Total operating revenues and non-operating revenues were \$162,858 in the fiscal year ended September 30, 2022, compared to \$1,458,928 in the fiscal year ended September 30, 2021 and \$1,152,207 in the fiscal year ended September 30, 2020.

In the fiscal year ended September 30, 2022, the Fund's operating revenues totaled \$160,839 compared to \$1,408,492 in the fiscal year ended September 30, 2021 and \$1,141,554 in the fiscal year ended

**GOVERNMENT OF THE DISTRICT OF COLUMBIA  
UNEMPLOYMENT COMPENSATION FUND**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
SEPTEMBER 30, 2022, AND 2021**

*(Dollar amounts expressed in thousands)*

September 30, 2020. Operating revenues decreased by \$1,247,653 or 88.58% from the fiscal year ended September 30, 2021 to the fiscal year ended September 30, 2022, primarily due to a decrease in employer and governmental contributions from the expanded programs under the Acts. Operating revenues increased by \$266,938 or 23.38% from the fiscal year ended September 30, 2020, to the fiscal year ended September 30, 2021.

Federal and other state and local governments reimburse the Fund 100% for benefits paid to their former employees as well as claimants in expanded programs under the Acts. Transfers and Non-operating revenues decreased by \$48,417 in FY2022 compared to FY2021 mainly due to a decrease in funds transferred in from the District.

Table 3 shows sources of operating revenues for the Fund in FY 2022, 2021 and 2020.

**Table 3: Operating Revenue by Source**

*(Dollar amounts expressed in thousands)*

Operating Revenues by Sources	2022	2021	Change	% Change	2020	Change	% Change
Employer Taxes	\$136,267	\$145,775	(\$9,508)	(6.52%)	\$139,833	\$5,942	4.25%
Governmental Contributions:							
Federal Government	16,406	1,254,987	(1,238,581)	(98.69%)	980,232	274,755	28.03%
D.C. Government	7,390	2,167	5,223	241.02%	7,947	(5,780)	(72.73%)
Other States' Contributions	776	5,563	(4,787)	(86.05%)	13,542	(7,979)	(58.92%)
<b>Total</b>	<b>\$160,839</b>	<b>\$1,408,492</b>	<b>(\$1,247,653)</b>	<b>(88.58%)</b>	<b>\$1,141,554</b>	<b>\$266,938</b>	<b>23.38%</b>

Federal government contributions were \$16,406 for the fiscal year ended September 30, 2022, compared to \$1,254,987 in the fiscal year ended September 30, 2021, mainly due to a decrease in Federal contributions from related COVID -19 activities. In the fiscal year ended September 30, 2021, Federal government reimbursements revenue was \$1,254,987 compared to \$980,232 in the fiscal year ended September 30, 2020.

Transfers and Non-operating revenue decreased to \$2,019 in the fiscal year ended September 30, 2022 from \$50,436 in the fiscal year ended September 30, 2021, resulting in a decrease of \$48,417 or 96.00%. Non-operating revenue in the fiscal year ended September 30, 2020 was \$10,653.

Figures 1, 2 and 3 shows the percentage of revenues received from the Fund's different sources during the fiscal years ended September 30, 2022, 2021 and 2020. Employer taxes were the largest source of revenues, which represented 84% of total revenues in the fiscal year ended September 30, 2022, compared to 10% of total revenues in the fiscal year ended September 30, 2021. Government contributions were the largest source of revenues, which represented 87% of the total revenue in the fiscal year ended September 30, 2020.

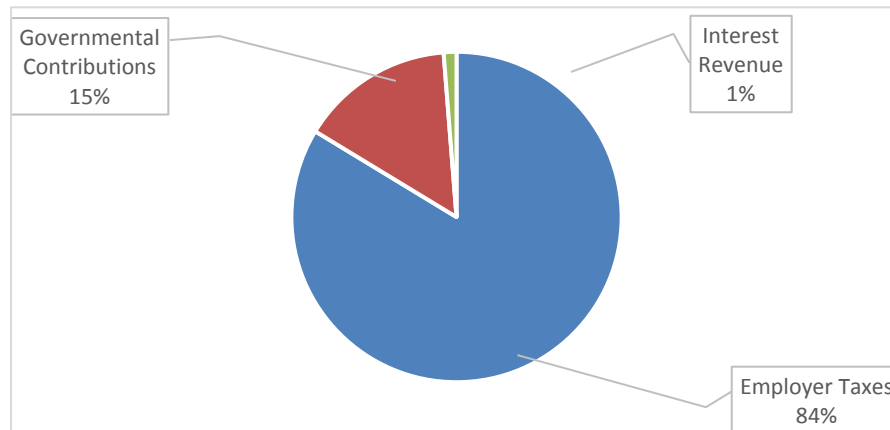
**GOVERNMENT OF THE DISTRICT OF COLUMBIA  
UNEMPLOYMENT COMPENSATION FUND**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
SEPTEMBER 30, 2022, AND 2021**

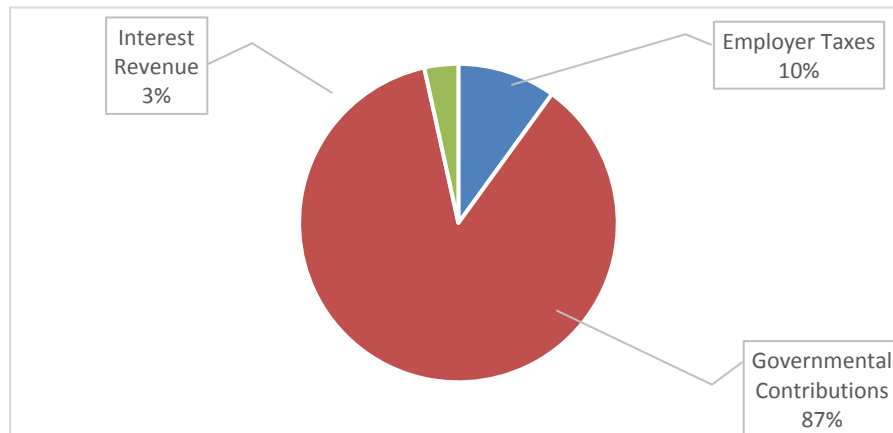
*(Dollar amounts expressed in thousands)*

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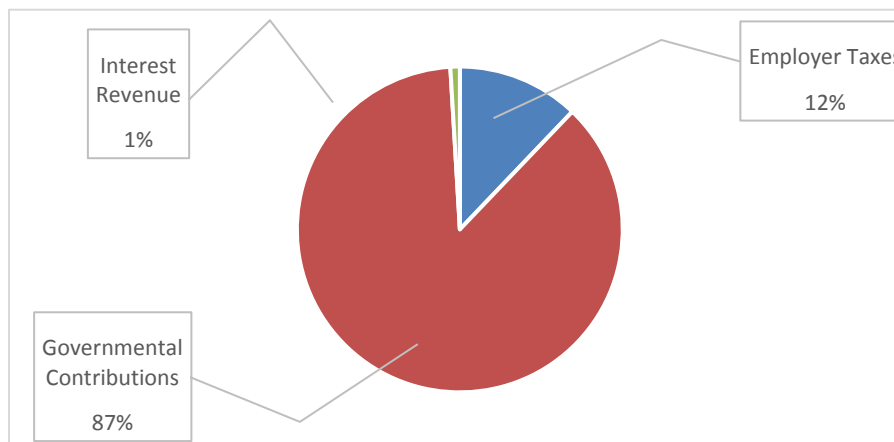
***Figure 1: Total Revenues (Operating and Non-Operating) for the fiscal year ended September 30, 2022***



***Figure 2: Total Revenues (Operating and Non-Operating) for the fiscal year ended September 30, 2021***



***Figure 3: Total Revenues (Operating and Non-Operating) for the fiscal year ended September 30, 2020***





**GOVERNMENT OF THE DISTRICT OF COLUMBIA  
UNEMPLOYMENT COMPENSATION FUND**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
SEPTEMBER 30, 2022, AND 2021**

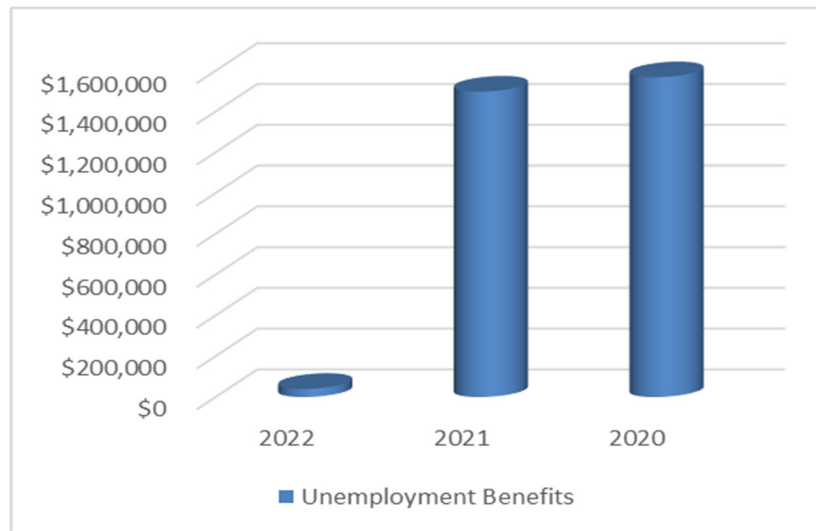
*(Dollar amounts expressed in thousands)*

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**Operating Expenses**

The Fund's only operating expense is unemployment benefit payments. Figure 4 shows the comparison of benefits payments in the fiscal years ended September 30, 2022, 2021, and 2020.

***Figure 4: Total Operating Expenses for fiscal years ended September 30, 2022, 2021, and 2020***



The Fund's unemployment benefit payments decreased by \$1,457,805 or 97.33% in the fiscal year ended September 30, 2022, compared to a decrease of \$70,267 or 4.48% in the fiscal year ended September 30, 2021, and an increase of \$1,448,055 or 1,206.61% in the fiscal year ended September 30, 2020. The decrease was primarily a result of a decrease in COVID-19 claims under the Acts. The average unemployment rate within the District decreased to 5.7% as of September 30, 2022 from 7.1% as of September 30, 2021, representing a 1.4% absolute decrease.

**GOVERNMENT OF THE DISTRICT OF COLUMBIA  
UNEMPLOYMENT COMPENSATION FUND**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
SEPTEMBER 30, 2022, AND 2021**

*(Dollar amounts expressed in thousands)*

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Figures 4 and 5 shows the District's labor force data for fiscal years ended September 30, 2022 and 2021.

**Table 4: District's unemployment rate by month for the year ended September 30, 2022**

<b>FY 2022 Average Unemployment Rate = 5.7%</b>					
<b>Current Year</b>	<b>Month</b>	<b>Labor Force</b>	<b>Number of Employed</b>	<b>Number of Unemployed</b>	<b>Unemployment Rate (%)</b>
2021	Oct	385,285	361,082	24,203	6.3
2021	Nov	384,477	361,009	23,468	6.1
2021	Dec	384,289	360,828	23,461	6.1
2022	Jan	385,288	360,973	24,315	6.3
2022	Feb	384,825	361,460	23,365	6.1
2022	Mar	385,347	362,341	23,006	6.0
2022	Apr	385,597	363,389	22,208	5.8
2022	May	386,366	364,471	21,895	5.7
2022	Jun	386,265	365,140	21,125	5.5
2022	Jul	385,661	365,773	19,888	5.2
2022	Aug	385,046	365,230	19,816	5.1
2022	Sep	382,177	364,135	18,042	4.7

**GOVERNMENT OF THE DISTRICT OF COLUMBIA  
UNEMPLOYMENT COMPENSATION FUND**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
SEPTEMBER 30, 2022, AND 2021**

*(Dollar amounts expressed in thousands)*

**Table 5: District's unemployment rate by month for the year ended September 30, 2021**

<b>FY 2021 Average Unemployment Rate = 7.1%</b>					
<b>Current Year</b>	<b>Month</b>	<b>Labor Force</b>	<b>Number of Employed</b>	<b>Number of Unemployed</b>	<b>Unemployment Rate (%)</b>
2020	Oct	384,292	352,602	31,690	8.2
2020	Nov	382,445	352,533	29,912	7.8
2020	Dec	380,455	351,999	28,456	7.5
2021	Jan	377,559	351,348	26,211	6.9
2021	Feb	376,087	351,076	25,011	6.7
2021	Mar	376,646	351,633	25,013	6.6
2021	Apr	378,292	352,631	25,661	6.8
2021	May	380,511	354,110	26,401	6.9
2021	Jun	383,400	355,729	27,671	7.2
2021	Jul	384,615	357,444	27,171	7.1
2021	Aug	385,724	359,101	26,623	6.9
2021	Sep	385,061	360,197	24,864	6.5

*Source: U.S. Bureau of Labor Statistics, Local Area Unemployment Statistics. FY 2022 unemployment data have been revised to reflect updates from source data.*

## **ECONOMIC CONDITION AND OUTLOOK**

For the year ended September 30, 2022, federal civilian employment accounted for 24.90% of all wage and salary jobs located in the District and 28.10% of wages and salaries generated in the city. Approximately 15.00% of employed District residents worked for the federal government. Furthermore, federal contracting accounted for additional jobs and income in the area, which also contributed to the tax base of the District. With such a dominant federal presence, as we look to the future, significant changes in federal spending can have a major impact on the economy and revenues of the District.

Summaries of some highlights and recent trends in the District economy are presented below:

- In the three months ended September 2022, there were 19,167, or 2.60%, more wage and salary jobs located in the District than in the same period a year earlier. However, this level was almost 30,000 below the same period in 2019, before the pandemic. Hospitality and retail jobs have not recovered, growing 17,900 jobs in September 2022 when compared to September 2021, but still about 14,000 below pre-COVID-19 levels. Of concern, federal jobs have started declining and in September 2022 were 3.80% below September 2021.

**GOVERNMENT OF THE DISTRICT OF COLUMBIA  
UNEMPLOYMENT COMPENSATION FUND**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
SEPTEMBER 30, 2022, AND 2021**

*(Dollar amounts expressed in thousands)*

- District resident employment in September 2022 was 1,437, or 0.40%, higher than a year earlier.
- The September 2022 unemployment rate was 4.7%, down from 6.5% a year ago.
- Overall wages earned in the District grew 4.90% in the quarter ended September 30, 2022, compared to the same quarter a year ago.

**D.C. Unemployment Compensation Fund Net Position History**

Table 6 presents the last five comparative fiscal years historical data of the principal components of the fund's net position and total wages, which is the basis for the employers' taxes.

**Table 6: Unemployment Compensation Fund Net Position Components**

	2022	2021	2020	2019	2018
Employer taxes/ Government Contributions/ Transfer In from District	\$160,839	\$1,408,492	\$1,141,554	\$160,718	\$160,904
Interest Earned	2,019	1,436	10,653	11,949	10,347
Benefits Paid	39,994	1,497,798	1,568,065	120,010	131,764
Net Position	157,532	34,668	73,538	489,396	436,739
Total wages	**	19,417,265	18,142,929	18,680,015	18,094,623

Source: DOES, Office of Labor Market Research and Information. FY 2022 and prior years' total wage data have been revised to reflect updates from source

\*\* Data not yet available.

**D.C. Unemployment Compensation Fund Outlook**

The financial condition of the Unemployment Compensation Fund depends on three factors: benefit outlays, employer taxes/government contributions, and taxable wages. Table 7 and 8 present the last five comparative fiscal years historical data of these factors.

**Table 7: Employer Taxes / Government Contributions / Transfer In and Benefits**

Year	Employer Taxes / Government Contributions	Benefits Payments	Surplus / (Deficit)
2018	\$ 160,904	\$ 131,764	\$ 29,140
2019	160,718	120,010	40,708
2020	1,141,554	1,568,065	(426,511)
2021	1,408,492	1,497,798	(89,306)
2022	160,839	39,994	120,845

**GOVERNMENT OF THE DISTRICT OF COLUMBIA  
UNEMPLOYMENT COMPENSATION FUND**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
SEPTEMBER 30, 2022, AND 2021**

*(Dollar amounts expressed in thousands)*

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**Table 8: Taxable Wages**

<b>Quarter Ending</b>	<b>FY2022</b>	<b>FY2021</b>	<b>FY2020</b>
December 31	\$ 568,380	\$ 357,718	\$ 501,603
March 31	3,630,909	3,327,117	3,810,581
June 30	**	636,619	492,886
September 30	**	601,278	380,650

*Source: DOES, Office of Labor Market Research and Information. \*\* Data not yet available.*

**Contact Information**

This financial report is designed to provide a general overview of the Fund's finances. Questions concerning any information provided in this report, or requests for additional financial information, should be addressed to the Office of the Chief Financial Officer; Government of the District of Columbia; 1350 Pennsylvania Avenue, NW; Washington, D.C., 20004.

**GOVERNMENT OF THE DISTRICT OF COLUMBIA  
UNEMPLOYMENT COMPENSATION FUND**

**STATEMENTS OF NET POSITION  
SEPTEMBER 30, 2022, AND 2021**

*(Dollar amounts expressed in thousands)*

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	<u>2022</u>	<u>2021</u>
<b>Current Assets:</b>		
Cash Held With U.S. Treasury (Note 2)	\$175,262	\$50,028
Accounts Receivable, Net (Note 3)	43,353	36,579
Due From D.C. Government (Note 4)	775	49,302
Due From Federal Government (Note 5)	5,439	28,506
<b>Total Current Assets</b>	<u>224,829</u>	<u>164,415</u>
<b>Current Liabilities:</b>		
Accounts Payable (Note 6)	14,418	17,965
Claimants Payable (Note 7)	12,150	79,831
Due To D.C. Government (Note 8)	15,048	16,234
Due To Federal Government (Note 9)	25,681	15,717
<b>Total Current Liabilities</b>	<u>67,297</u>	<u>129,747</u>
<b>Net Position:</b>		
Restricted for Unemployment Compensation Benefits	<u><b>\$157,532</b></u>	<u><b>\$34,668</b></u>

*The notes to financial statements are an integral part of this statement.*



**GOVERNMENT OF THE DISTRICT OF COLUMBIA  
UNEMPLOYMENT COMPENSATION FUND**

**STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION  
YEARS ENDED SEPTEMBER 30, 2022, AND 2021**

*(Dollar amounts expressed in thousands)*

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	<u>2022</u>	<u>2021</u>
<b>Operating Revenues:</b>		
Employer Taxes	\$136,267	\$145,775
Governmental Contributions (Note 10)	24,572	1,262,717
	<u>160,839</u>	<u>1,408,492</u>
<b>Operating Expenses:</b>		
Unemployment Benefits (Note 11)	39,994	1,497,798
Total Operating Expenses	<u>39,994</u>	<u>1,497,798</u>
<b>Operating Income (Loss)</b>	120,845	(89,306)
<b>Transfers and Non-operating Revenues:</b>		
Transfer in from the District	-	49,000
Interest Revenues	2,019	1,436
Total Transfers and Non-Operating Revenues	<u>2,019</u>	<u>50,436</u>
<b>Change in Net Position</b>	122,864	(38,870)
<b>Total Net Position – Beginning</b>	34,668	73,538
<b>Total Net Position - Ending</b>	<u>\$157,532</u>	<u>\$34,668</u>

*The notes to financial statements are an integral part of this statement.*

**GOVERNMENT OF THE DISTRICT OF COLUMBIA  
UNEMPLOYMENT COMPENSATION FUND**

**STATEMENTS OF CASH FLOWS  
YEARS ENDED SEPTEMBER 30, 2022, AND 2021**

*(Dollar amounts expressed in thousands)*

	<b>2022</b>	<b>2021</b>
<b>Cash Flows from Operating Activities:</b>		
Cash Receipts from Employers	\$129,493	\$128,877
Cash Receipts from Governmental Contributions	96,166	1,270,340
Cash Payments for Other Liabilities	5,231	2,200
Cash Payments to Claimants	(107,675)	(1,544,716)
<b>Net Cash Provided By (Used In) Operating Activities</b>	<b>123,215</b>	<b>(143,299)</b>
<b>Cash Flows from Investing Activities:</b>		
Interest Income Received	2,019	1,436
<b>Net Cash Provided by Investing Activities</b>	<b>2,019</b>	<b>1,436</b>
<b>Cash Flows from Noncapital Financing Activities</b>		
Transfer in from the District	-	49,000
<b>Net Cash Provided by Noncapital Financing Activities</b>		<b>49,000</b>
<b>Net Increase (Decrease) in Cash</b>	<b>125,234</b>	<b>(92,863)</b>
<b>Cash, Beginning of Year</b>	<b>50,028</b>	<b>142,891</b>
<b>Cash, Ending of Year</b>	<b>\$175,262</b>	<b>\$50,028</b>
<b><i>Reconciliation of Operating Income to Net Cash Provided by (Used In) Operating Activities:</i></b>		
Operating Income (Loss)	\$120,845	(\$89,306)
Adjustments to reconcile operating income (loss) to net cash provided by (Used In) operating activities		
Receivables/Due from D.C. Govt.	41,753	(65,271)
Due from Federal Govt.	23,067	55,996
Payables	(62,450)	(44,718)
Total Adjustments	2,370	(53,993)
<b>Net Cash Provided By (Used In) Operating Activities</b>	<b>\$123,215</b>	<b>(\$143,299)</b>

*The notes to financial statements are an integral part of this statement.*

**GOVERNMENT OF THE DISTRICT OF COLUMBIA  
UNEMPLOYMENT COMPENSATION FUND**

**NOTES TO THE FINANCIAL STATEMENTS  
SEPTEMBER 30, 2022 AND 2021**

*(Dollar amounts expressed in thousands)*

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**NOTE 1      NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

***Nature of Activities:*** Pursuant to Federal law, the Government of the District of Columbia (the District) maintains an Unemployment Compensation Fund (the Fund). The Fund pays up to 26 weeks of regular statutory benefits to eligible unemployed former employees working in the District of Columbia or the Federal government. The Fund does not currently pay any additional weeks of benefits to eligible claimants who have exhausted their regular 26 weeks of benefits.

The Fund's operating revenues consist of employer taxes and reimbursements from governmental agencies for regular unemployment benefits paid to former employees. Non-operating revenue represents the interest generated by the Fund.

The Fund is administered by the Director of the District's Department of Employment Services. Substantially all administrative costs of the Fund are paid by Federal grants and special purpose funds, which are recorded in the District's General Fund. These financial statements present the assets, liabilities, revenues, and expenses of the Fund and are not intended to present the financial position and changes in financial position of the Government of the District of Columbia taken as a whole.

***Basis of Presentation:*** The Fund's financial statements are presented in accordance with U.S. generally accepted accounting principles (GAAP) as promulgated by the Governmental Accounting Standards Board (GASB). The Fund is considered an enterprise fund under GAAP for governmental entities.

***Basis of Accounting:*** The accompanying financial statements are prepared on the accrual basis of accounting. Under this accounting method, all revenues are recognized in the fiscal year earned, and expenses are recognized in the fiscal year incurred.

***Measurement Focus:*** The financial statements are reported using the flow of economic resources measurement focus, wherein all assets and liabilities are included in the Statements of Net Position. The related Statements of Revenues, Expenses, and Changes in Net Position present increases (revenues) and decreases (expenses) in net position.

***Use of Estimates:*** The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities as of the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**GOVERNMENT OF THE DISTRICT OF COLUMBIA  
UNEMPLOYMENT COMPENSATION FUND**

**NOTES TO THE FINANCIAL STATEMENTS  
SEPTEMBER 30, 2022 AND 2021**

*(Dollar amounts expressed in thousands)*

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**NOTE 2      CASH HELD WITH U.S. TREASURY**

The Fund's cash is held at the U.S. Department of Treasury (the Treasury) in a trust fund in the District's name. The Federal Unemployment Trust Fund (the Trust Fund) includes deposits from the unemployment insurance funds of all states. The Trust Fund is required by federal law to invest only in obligations guaranteed by the United States. Pursuant to the Social Security Act, the funds held at the Treasury earn interest quarterly based on the interest rates of the Treasury's Certificates of Indebtedness. Interest earned for the fiscal years ended September 30, 2022 and 2021 was \$2,019 and \$1,436, respectively. As of September 30, 2022, cash held at the Treasury was \$175,262, compared to \$50,028 as of September 30, 2021. The Federal Unemployment Trust Fund held at the Federal Reserve Bank is not categorized in accordance with the criteria under GASB Statement No. 40, *Deposit and Investment Risk Disclosures—an Amendment of GASB Statement No. 3*, because the Trust Fund is neither a deposit with a financial institution nor an investment.

**NOTE 3      ACCOUNTS RECEIVABLE, NET**

The Fund's accounts receivable balances consisted of the following as of September 30, 2022 and 2021:

	<u>2022</u>	<u>2021</u>
Employer Receivables	\$ 41,247	\$ 34,853
Claimant Receivables	41,913	32,455
Due from Other States	324	966
Total Receivables	<u>83,484</u>	<u>68,274</u>
Less: Allowance for Doubtful Accounts	<u>(40,131)</u>	<u>(31,695)</u>
<b>Accounts Receivable, Net</b>	<u><b>\$ 43,353</b></u>	<u><b>\$ 36,579</b></u>

Employer contributions are recognized as revenues in the accounting period in which they become due and measurable. Any contributions not received within the accounting period are recognized as employer receivables. Claimant receivables are benefits paid to claimants who are ultimately proven to be ineligible to receive all or a portion of those benefits. The Fund recognizes a receivable from these claimants when the benefits overpayment is identified. Due from other states is the amount owed to the Fund from other states for unemployment benefits paid on their behalf. The percentage of ending accounts receivable method is used to estimate and establish an allowance for doubtful accounts for the employer and claimant receivable balances.

**GOVERNMENT OF THE DISTRICT OF COLUMBIA  
UNEMPLOYMENT COMPENSATION FUND**

**NOTES TO THE FINANCIAL STATEMENTS  
SEPTEMBER 30, 2022 AND 2021**

*(Dollar amounts expressed in thousands)*

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**NOTE 4      DUE FROM D.C. GOVERNMENT**

Due from D.C. Government is the amount owed to the Fund from the District Government for unemployment benefits paid on its behalf to former employees as well as funds transferred in. As of September 30, 2022, and 2021, the amount due from the District was \$775 and \$49,302, respectively.

**NOTE 5      DUE FROM FEDERAL GOVERNMENT**

As of September 30, 2022, the amount due from the Federal government is \$5,439, compared to \$28,506 as of September 30, 2021. The balance due from Federal government represents benefit payments accrued for eligible unemployed civilian federal employees (UCFE), eligible ex-military personnel (UCX) and claimants in expanded federal programs under the CARES and ARP Acts as well as credits to employers and state taxes withheld for claimants.

**NOTE 6      ACCOUNTS PAYABLE**

Accounts payable as of September 30, 2022 and 2021 consisted of amounts due to employers for taxes overpaid; to various states for unemployment benefits paid to former District employees; and to others for related activities.

	<u><b>2022</b></u>	<u><b>2021</b></u>
Employer Tax Refund Payable	\$13,712	\$11,774
Cares Act (Reimb Employer Payment)	-	\$2,889
Due to Other States	625	2,742
Income Tax Payable	81	516
Others	-	44
<b>Total Accounts Payable</b>	<u><b>\$14,418</b></u>	<u><b>\$17,965</b></u>

**NOTE 7      CLAIMANTS PAYABLE**

Claimants' payable represents estimated amounts due to claimants for the remaining periods of eligibility for claims filed as of September 30 and payable in the next fiscal year. The claimants payable as of September 30, 2022 and 2021 were \$12,150 and \$79,831, respectively.

	<u><b>2022</b></u>	<u><b>2021</b></u>
UI Regular	\$7,975	\$56,226
CARES ACTS 2020	4,175	23,605
<b>Total Claimants Payable</b>	<u><b>\$12,150</b></u>	<u><b>\$79,831</b></u>

**GOVERNMENT OF THE DISTRICT OF COLUMBIA  
UNEMPLOYMENT COMPENSATION FUND**

**NOTES TO THE FINANCIAL STATEMENTS  
SEPTEMBER 30, 2022 AND 2021**

*(Dollar amounts expressed in thousands)*

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**NOTE 8      DUE TO D.C. GOVERNMENT**

Amounts reported as Due to D.C. Government primarily represent Unemployment Compensation (UC) Modernization funds obligated for administrative costs and payments made by the District on behalf of the Fund. A breakdown of amounts due to D.C. Government as of September 30, 2022 and 2021 consists of the following:

	<b>2022</b>	<b>2021</b>
UC Modernization	\$8,287	\$8,484
District of Columbia on behalf of UI Trust Fund	4,678	4,927
REED ACT	1,293	1,954
Admin Asses, int & penalties	398	437
UI Admin COVID 19	392	432
<b>Total Due to D.C Government</b>	<b>\$15,048</b>	<b>\$16,234</b>

**NOTE 9      DUE TO FEDERAL GOVERNMENT**

The amounts reported as Due to Federal Government relates to claimant overpayments for federally funded programs. Amounts payable to the Federal Government as of September 30, 2022 and 2021 are \$25,681 and \$15,717, respectively.

	<b>2022</b>	<b>2021</b>
Federal Pandemic Unemployment Comp (FPUC)	\$21,436	\$14,074
Pandemic Unemployment Assistance (PUA)	1,085	-
Pandemic Emergency Unemployment Comp (PEUC)	2,081	1,536
CARES ACT (Reimburse Employer Payment)	1,007	-
UI Benefits - Temporary Extension (EUC 08)	72	107
<b>Total Due to Federal Government</b>	<b>\$25,681</b>	<b>\$15,717</b>



**GOVERNMENT OF THE DISTRICT OF COLUMBIA  
UNEMPLOYMENT COMPENSATION FUND**

**NOTES TO THE FINANCIAL STATEMENTS  
SEPTEMBER 30, 2022 AND 2021**

*(Dollar amounts expressed in thousands)*

**NOTE 10      GOVERNMENTAL CONTRIBUTIONS**

Governmental contributions consisted of the following for the years ended September 30, 2022 and 2021.

	<u><b>2022</b></u>	<u><b>2021</b></u>
Delayed Compensation	\$ 4,998	\$ -
Contribution - D.C Government	2,392	2,167
Contribution - Other States	776	5,563
 <b>Federal Programs</b>		
UC - Federal Employees (UCFE)	1,520	4,810
UC - Ex-Servicemen (UCX)	69	152
 <b>CARES Act 2020/ARP Act 2021</b>		
Federal Pandemic Unemployment Comp (FPUC)	9,277	591,913
Pandemic Emergency Unemployment Comp (PEUC)	5,932	358,795
Pandemic Unemployment Assistance (PUA)	3,336	119,122
LWB 2200 - FEMA-Lost Wages Assist Benefit	121	30,403
CARES Act - Waived Wait Week Reimbursement	60	4,307
CARES Act - Mixed Earners UI Comp	6	142
Short Time Compensation	-	4,354
CARES Act District PUA Stimulus	-	11,513
CARES Act (Reimbursement Employer Payment)	(1,882)	(11,513)
Ext Benefits (Cont.Unemp.In)	(2,033)	140,989
 <b>Total</b>	 <u><b>\$ 24,572</b></u>	 <u><b>\$ 1,262,717</b></u>

**GOVERNMENT OF THE DISTRICT OF COLUMBIA  
UNEMPLOYMENT COMPENSATION FUND**

**NOTES TO THE FINANCIAL STATEMENTS  
SEPTEMBER 30, 2022 AND 2021**

*(Dollar amounts expressed in thousands)*

**NOTE 11      UNEMPLOYMENT BENEFITS**

Unemployment benefits significantly decreased in the fiscal year ended September 30, 2022. This decrease was mainly due to a decrease in the Federal Pandemic Unemployment Compensation (FPUC) and the Pandemic Emergency Unemployment Compensation (PEUC) and an overall decline of the cases filed relating to COVID-19.

Unemployment benefit expenses consisted of the following for the fiscal year ended September 30, 2022 and 2021.

	<u>2022</u>	<u>2021</u>
UI Regular	\$ 18,590	\$ 242,669
Delayed Compensation	4,998	-
<b>Federal Programs</b>		
UC - Federal Employees (UCFE)	1,520	4,810
UC - Ex-Servicemen (UCX)	69	152
<b>CARES Act 2020/ARP Act 2021</b>		
Federal Pandemic Unemployment Comp (FPUC)	9,277	591,913
Pandemic Emergency Unemployment Comp (PEUC)	5,932	358,808
Pandemic Unemployment Assistance (PUA)	3,336	119,122
LWA 2200-FEMA-Lost Wages Assist Benefit	121	30,403
CARES Act - Waived Wait Week Reimbursement	60	4,307
CARES Act - Mixed Earners UI Comp	6	142
CARES Act - District PUA Stimulus	-	11,513
Short Time Compensation	-	4,354
UI Benefit Temporary Extension	-	129
CARES Act (Reimb Employer Payment)	(1,882)	(11,513)
Ext Benefits (Cont.Unemp.In)	(2,033)	140,989
<b>Total</b>	<u>\$ 39,994</u>	<u>\$ 1,497,798</u>

**GOVERNMENT OF THE DISTRICT OF COLUMBIA  
UNEMPLOYMENT COMPENSATION FUND**

**NOTES TO THE FINANCIAL STATEMENTS  
SEPTEMBER 30, 2022 AND 2021**

*(Dollar amounts expressed in thousands)*

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**NOTE 12      COMMITMENTS AND CONTINGENCIES**

As of September 30, 2022, and 2021, there were no matters of litigation involving the Fund which would materially affect the Fund's financial position should any court decisions on pending matters not be favorable to the Fund.

**NOTE 13      SUBSEQUENT EVENTS**

During FY 2022, **Subtitle D.** District Unemployment Fund Funding Amendment Act of 2022 was passed. This subtitle authorizes that for any surplus certified in the Annual Comprehensive Financial Report for Fiscal Year 2022, \$113M of uncommitted unrestricted fund balance will be directed to the Unemployment Fund, with the remainder split evenly between Housing Production Trust Fund and Paygo capital, which is the current law. This subtitle is necessary to ensure that the Unemployment Fund has adequate funding for individuals on unemployment insurance. The transfer in of funds will be done in FY 2023.



**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING  
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN  
AUDIT OF FINANCIAL STATEMENTS PERFORMED IN  
ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

**INDEPENDENT AUDITOR'S REPORT**

To the Mayor, Members of the Council of the Government of the  
District of Columbia, and Inspector General of the Government  
of the District of Columbia Washington, D.C.

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the District of Columbia Unemployment Compensation Fund (the Fund), an enterprise fund of the Government of the District of Columbia, as of and for the year ended September 30, 2022, and the related notes to the financial statements, which collectively comprise the Fund's basic financial statements, and have issued our report thereon dated January 6, 2023.

***Report on Internal Control over Financial Reporting***

In planning and performing our audit of the financial statements, we considered the Fund's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Fund's internal control. Accordingly, we do not express an opinion on the effectiveness of the Fund's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

***Report on Compliance and Other Matters***

As part of obtaining reasonable assurance about whether the Fund's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the of financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit



## McConnell Jones

and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

### ***Purpose of this Report***

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Fund's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Fund's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Washington, D.C.  
January 6, 2023

**To report fraud, waste, abuse, or mismanagement:**



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