

DISTRICT OF COLUMBIA OFFICE OF THE INSPECTOR GENERAL

OIG Project No. 23-1-12BH

January 31, 2024



Government of the District of Columbia Unemployment Compensation Fund

Financial Statements for the Years
Ended September 30, 2023 and 2022
(Together with Reports of the
Independent Auditors)

GUIDING PRINCIPLES

ACCOUNTABILITY * INTEGRITY * PROFESSIONALISM

TRANSPARENCY * CONTINUOUS IMPROVEMENT * EXCELLENCE



OUR MISSION

We independently audit, inspect, and investigate matters pertaining to the District of Columbia government 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.

OUR 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!

OUR GUIDING PRINCIPLES

- Accountability
- Continuous Improvement
- Excellence
- Integrity
- Professionalism
- Transparency





DISTRICT OF COLUMBIA | OFFICE OF THE INSPECTOR GENERAL

January 31, 2024

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

The Honorable Phil Mendelson
Chairman
Council of the District of Columbia
John A. Wilson Building
1350 Pennsylvania Avenue, NW, Suite 504
Washington, DC 20004

Subject: **Government of the District of Columbia Unemployment
Compensation Fund | 23-1-12BH**

Dear Mayor Bowser and Chairman Mendelson:

Enclosed is the final report *Government of the District of Columbia Unemployment Compensation Fund Financial Statements for the Years Ended September 30, 2023, and 2022 (Together with Reports of the Independent Auditors)* (OIG No. 23-1-12BH). McConnell Jones, LLP (MJ) conducted the audit and submitted this enterprise fund report as part of our overall contract for the audit of the District of Columbia's general-purpose financial statements for fiscal year 2023.

On January 5, 2024, 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 Eileen Shanklin-Andrus, Acting Assistant Inspector General for Audits, at (202) 727-2540.

Sincerely,



Daniel W. Lucas
Inspector General

DWL/ws

Enclosure

cc: See Distribution List

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Dr. Unique N. Morris-Hughes, Director, Department of Employment Services

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, 2023, and 2022
(Together with Reports of the Independent Auditors)**

**GOVERNMENT OF THE DISTRICT OF COLUMBIA
UNEMPLOYMENT COMPENSATION FUND
FINANCIAL STATEMENTS
YEARS ENDED SEPTEMBER 30, 2023 AND 2022**

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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, 2023, and 2022, 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 respective financial position of the Fund as of September 30, 2023, and 2022, and the respective changes in its financial position and, where applicable, 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 audit 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 audit. 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 and *Government Auditing Standards* 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 and *Government Auditing Standards*, 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, 2023 and 2022, 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, located as listed in the table of contents, 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 4, 2024, 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.

McConnell Jones LLP

Washington, D.C.
January 4, 2024

GOVERNMENT OF THE DISTRICT OF COLUMBIA
UNEMPLOYMENT COMPENSATION FUND
MANAGEMENT’S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2023 AND 2022
(Dollar amounts expressed in thousands)

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, 2023, and corresponding fiscal years ended September 30, 2022, and 2021. 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 consist 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, financing, and investing activities during the year.

GOVERNMENT OF THE DISTRICT OF COLUMBIA
UNEMPLOYMENT COMPENSATION FUND
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2023 AND 2022
(Dollar amounts expressed in thousands)

FINANCIAL HIGHLIGHTS

The District's average unemployment rate for the fiscal year ended September 30, 2023 was 4.7%, which is a 1.0% decrease compared to 5.7% at the end of September 30, 2022, and a 1.4% decrease in the fiscal year ended September 30, 2022, compared to 7.1% at the end of September 30, 2021.

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 CARES and ARPA (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, 2023, the Fund's assets exceeded its liabilities by \$328,654. The Fund reported an increase in net position of \$171,122 or 108.63%, as compared to a \$122,864 or 354.40% increase in fiscal year ended September 30, 2022.

GOVERNMENT OF THE DISTRICT OF COLUMBIA
UNEMPLOYMENT COMPENSATION FUND
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2023 AND 2022
(Dollar amounts expressed in thousands)

OVERALL FINANCIAL ANALYSIS

The Fund's overall financial position improved because of the transfer of funds by the District to ensure that the Unemployment Fund has adequate funding for individuals on unemployment insurance for the fiscal year ended September 30, 2023. The Fund's financial position and operations for the fiscal year ended September 30, 2023, 2022 and 2021 are summarized in Tables 1 and 2.

Table 1: Condensed Statement of Net Position *(Dollar amounts expressed in thousands)*

	2023	2022	Change	2021	Change
Assets					
Cash Held with U.S. Treasury	\$358,087	\$175,262	\$182,825	\$50,028	\$125,234
Receivables (net)	<u>50,351</u>	<u>49,567</u>	<u>784</u>	<u>114,387</u>	<u>(64,820)</u>
Total Assets	<u>408,438</u>	<u>224,829</u>	<u>183,609</u>	<u>164,415</u>	<u>60,414</u>
Liabilities					
Account payable	35,246	26,568	8,678	97,796	(71,228)
Due to D.C. Government	13,662	15,048	(1,386)	16,234	(1,186)
Due to Fed Government	<u>30,876</u>	<u>25,681</u>	<u>5,195</u>	<u>15,717</u>	<u>9,964</u>
Total Liabilities	<u>79,784</u>	<u>67,297</u>	<u>12,487</u>	<u>129,747</u>	<u>(62,450)</u>
Net Position					
Restricted for Unemployment Compensation Benefits	<u>\$328,654</u>	<u>\$157,532</u>	<u>\$171,122</u>	<u>\$34,668</u>	<u>\$122,864</u>

The Fund's largest asset is its cash held with U.S. Treasury, which represented 87.67% of the Fund's total assets as of September 30, 2023. In the fiscal year ended September 30, 2023, the cash balance increased by \$182,825 or 104.32%, primarily due to cash receipts from employer taxes and government contributions significantly exceeding the unemployment benefit payments and transfers in of funds from the District. In the fiscal year ended September 30, 2022, the cash balance increased by \$125,234 or 250.33% from the fiscal year ended September 30, 2021.

Receivables, net of the allowance for doubtful accounts increased by \$784 or 1.58% for the fiscal year ended September 30, 2023, mainly due to an increase in receivables from employers and claimants. The Fund's receivables consist of amounts due from employers for unpaid taxes, 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, 2023, increased by \$12,487 or 18.56%, as compared to a decrease by \$62,450 or 48.13% in the fiscal year ended September 30, 2022. The Fund reported an estimated claimants' payable of \$18,377 as of September 30, 2023, which represents an increase of \$6,227 or 51.25%, compared to fiscal year ended September 30, 2022 mainly due to an increase of the number of claims filed. In addition, accounts payable increased by \$2,451 or 17.00% compared to September 30, 2022, mainly due to an increase in employer's refunds payable. As of September 30, 2022, accounts payable were \$14,418 which was a decrease of \$3,547 or 19.74% from September 30, 2021.

GOVERNMENT OF THE DISTRICT OF COLUMBIA
UNEMPLOYMENT COMPENSATION FUND
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2023 AND 2022
(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 not yet paid to the District. Due to Federal Government represents claimants' overpayments from federal programs under the CARES Acts. As of September 30, 2023, the Fund's payables to D.C. Government decreased by \$1,386 or 9.21%, compared to September 30, 2022, and a decrease of \$1,186 or 7.31% compared to September 30, 2021. The decrease was primarily due to the decrease in the Reed Act and Unemployment Compensation Modernization Funds in the fiscal year ended September 30, 2023. The unspent Reed Act and Unemployment Compensation Modernization funds totaled \$8,183 at September 30, 2023 compared to \$9,580 at September 30, 2022 and \$10,438 at September 30, 2021. 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, 2023, the Fund's current assets of \$408,438 were sufficient to cover current liabilities of \$ 79,784; a ratio of 5.12 in assets for every dollar in liabilities. As of September 30, 2022, the total current assets and current liabilities of the Fund were \$ 224,829 and \$67,297 respectively; a ratio of 3.34 in assets for every dollar in liabilities. 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 as of September 30, 2021.

Table 2: Condensed Statement of Revenues, Expenses, and Changes in Net Position *(Dollar amounts expressed in thousands)*

	2023	2022	Change	2021	Change
Operating Revenues:					
Employer Taxes	\$127,721	\$136,267	(\$8,546)	\$145,775	(\$9,508)
Governmental Contributions	13,952	24,572	(10,620)	1,262,717	(1,238,145)
Total Operating Revenues	141,673	160,839	(19,166)	1,408,492	(1,247,653)
Operating Expenses:					
Unemployment Benefits	89,251	39,994	49,257	1,497,798	(1,457,804)
Operating Income/(Loss)	52,422	120,845	(68,423)	(89,306)	210,151
Non-operating Revenues:					
Transfer In from the District	113,000	-	113,000	49,000	(49,000)
Interest Revenue	5,700	2,019	3,681	1,436	583
Total Transfers and Non-operating Revenues	118,700	2,019	116,681	50,436	(48,417)
Change in Net Position	171,122	122,864	48,258	(38,870)	161,734
Total Net Position - Beginning	157,532	34,668	122,864	73,538	(38,870)
Total Net Position - Ending	\$328,654	\$157,532	\$171,122	\$34,668	\$122,864

Revenues

Total operating revenues and non-operating revenues were \$260,373 in the fiscal year ended September 30, 2023, compared to \$162,858 in the fiscal year ended September 30, 2022 and \$1,458,928 in the fiscal year ended September 30, 2021.

In the fiscal year ended September 30, 2023, the Fund's operating revenues totaled \$141,673 compared to \$160,839 in the fiscal year ended September 30, 2022 and \$1,408,492 in the fiscal year ended September 30, 2021. Operating revenues decreased by \$19,166 or 11.92% from the fiscal year ended

**GOVERNMENT OF THE DISTRICT OF COLUMBIA
UNEMPLOYMENT COMPENSATION FUND
MANAGEMENT’S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2023 AND 2022**
(Dollar amounts expressed in thousands)

September 30, 2022 to the fiscal year ended September 30, 2023, primarily due to a decrease in employer taxes and governmental contributions from the expanded programs under the Acts. 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.

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 increased by \$116,681 in FY2023 compared to FY2022 mainly due to an increase in funds transferred in from the District.

Table 3 shows sources of operating revenues for the Fund in FYs 2023, 2022 and 2021.

Table 3: Operating Revenue by Source *(Dollar amounts expressed in thousands)*

Operating Revenues by Sources	2023	2022	Change	% Change	2021	Change	% Change
Employer Taxes	\$127,721	\$136,267	(\$8,546)	(6.27%)	\$145,775	(\$9,508)	(6.52%)
Governmental Contributions:							
Federal Government	8,668	16,406	(7,738)	(47.17%)	1,254,987	(1,238,581)	(98.69%)
D.C. Government	3,619	7,390	(3,771)	(51.03%)	2,167	5,223	241.02%
Other States' Contributions	1,665	776	889	114.56%	5,563	(4,787)	(86.05%)
Total	\$141,673	\$160,839	(\$19,166)	(11.92%)	\$1,408,492	(\$1,247,653)	(88.58%)

Federal government contributions were \$8,668 for the fiscal year ended September 30, 2023, compared to \$16,406 in the fiscal year ended September 30, 2022, mainly due to a decrease in Federal contributions from related COVID -19 activities. In the fiscal year ended September 30, 2022, Federal government reimbursements revenue was \$16,406 compared to \$1,254,987 in the fiscal year ended September 30, 2021.

Transfers and Non-operating revenue increased to \$118,700 in the fiscal year ended September 30, 2023 from \$2,019 in the fiscal year ended September 30, 2022, resulting in an increase of \$116,681 or 5779.15%. Non-operating revenue in the fiscal year ended September 30, 2021 was \$50,436.

Figures 1, 2 and 3 show the percentage of revenues received from the Fund’s different sources during the fiscal years ended September 30, 2023, 2022 and 2021. Employer taxes were the largest source of revenues, which represented 49% of total revenues in the fiscal year ended September 30, 2023, compared to 84% of total revenues in the fiscal year ended September 30, 2022. Government contributions were the largest source of revenues, which represented 87% of the total revenue in the fiscal year ended September 30, 2021.

**GOVERNMENT OF THE DISTRICT OF COLUMBIA
UNEMPLOYMENT COMPENSATION FUND
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2023 AND 2022**
(Dollar amounts expressed in thousands)

Figure 1: Total Revenues (Operating and Non-Operating) for the fiscal year ended September 30, 2023

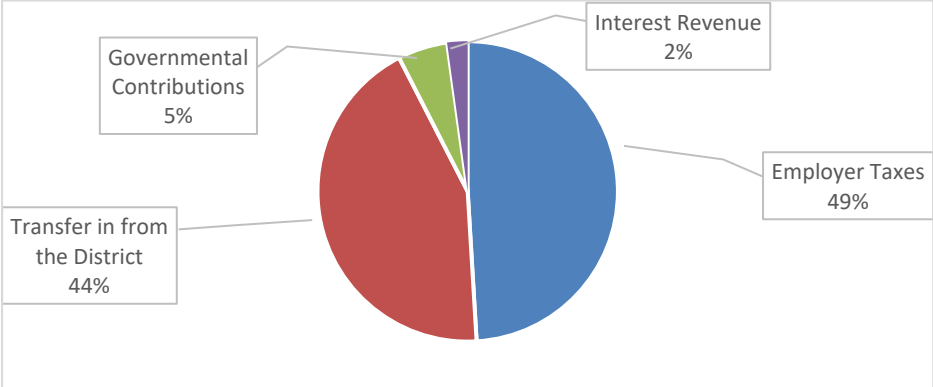


Figure 2: Total Revenues (Operating and Non-Operating) for the fiscal year ended September 30, 2022

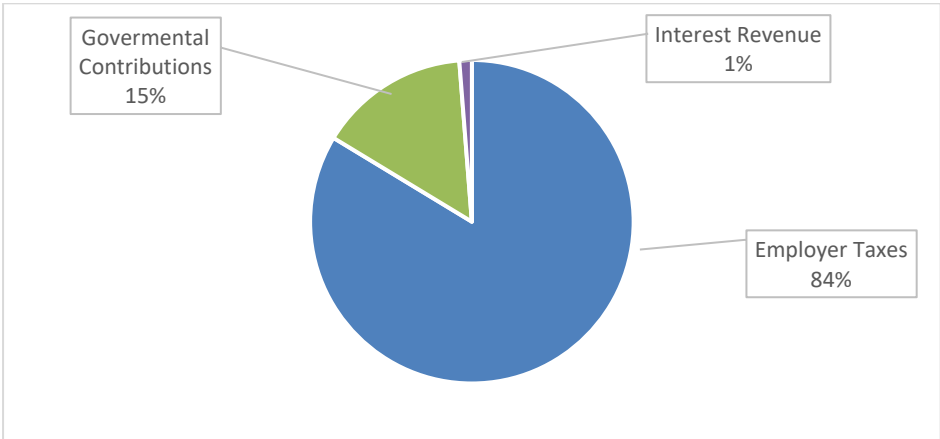
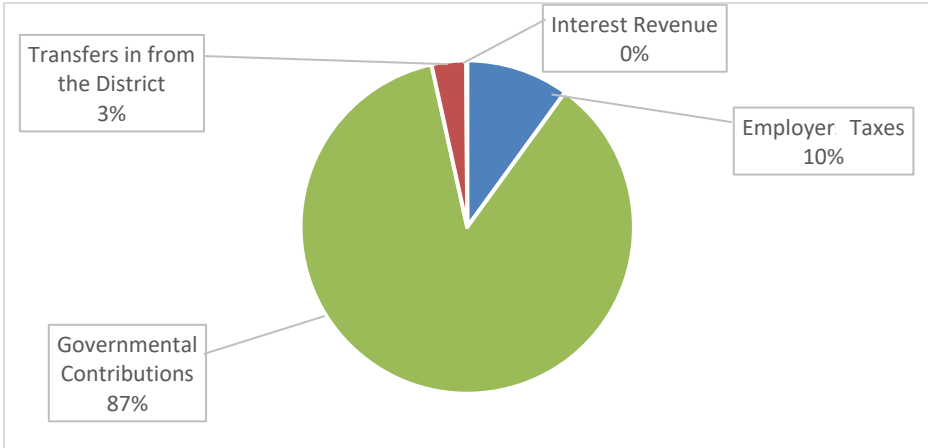


Figure 3: Total Revenues (Operating and Non-Operating) for the fiscal year ended September 30, 2021

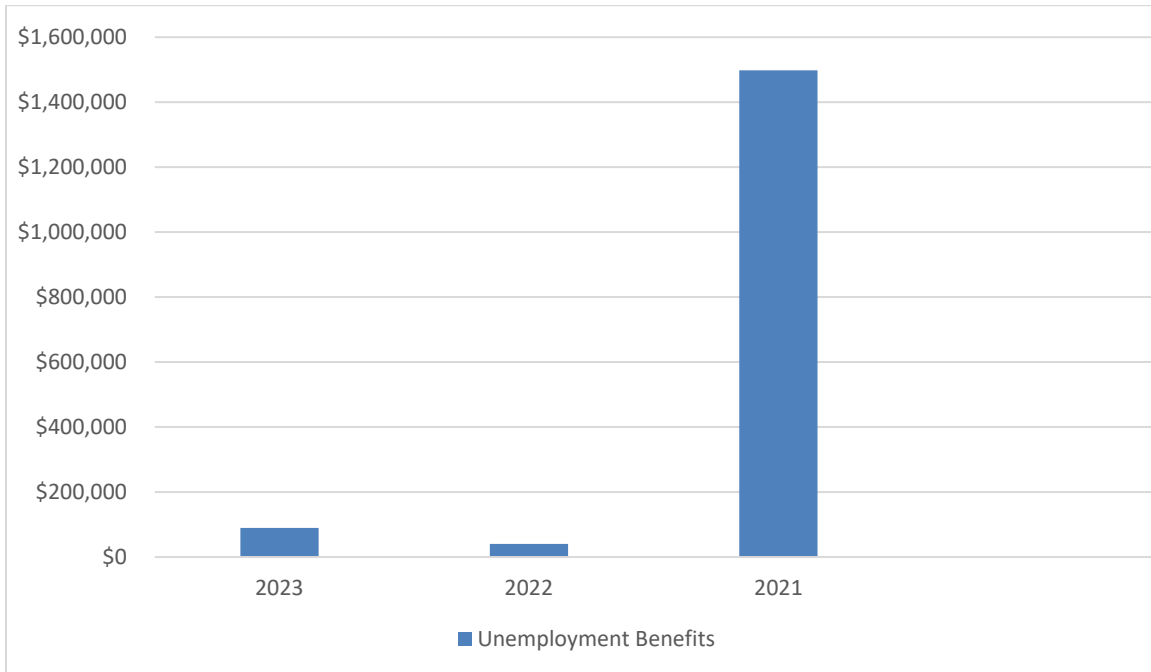


**GOVERNMENT OF THE DISTRICT OF COLUMBIA
UNEMPLOYMENT COMPENSATION FUND
MANAGEMENT’S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2023 AND 2022
(Dollar amounts expressed in thousands)**

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, 2023, 2022, and 2021.

Figure 4: Total Operating Expenses for fiscal years ended September 30, 2023, 2022, and 2021.



The Fund’s unemployment benefit payments increased by \$49,257 or 123.16% in the fiscal year ended September 30, 2023, compared to a decrease of \$1,457,804 or 97.33% in the fiscal year ended September 30, 2022, and a decrease of \$70,267 or 4.48% in the fiscal year ended September 30, 2021. The increase was primarily a result of an increase in claims filed. The average unemployment rate within the District decreased to 4.7% as of September 30, 2023 from 5.7% as of September 30, 2022, representing a 1.0% absolute decrease.

**GOVERNMENT OF THE DISTRICT OF COLUMBIA
UNEMPLOYMENT COMPENSATION FUND
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2023 AND 2022
(Dollar amounts expressed in thousands)**

Tables 4 and 5 show the District's labor force data for fiscal years ended September 30, 2023 and 2022.

Table 4: District's unemployment rate by month for the year ended September 30, 2023

FY 2023 Average Unemployment Rate = 4.7%					
2022	Oct	387,812	371,532	16,280	4.2
2022	Nov	387,879	371,498	16,381	4.2
2022	Dec	388,214	371,865	16,349	4.2
2023	Jan	389,168	371,846	17,322	4.5
2023	Feb	389,688	371,531	18,157	4.7
2023	Mar	390,516	371,623	18,893	4.8
2023	Apr	390,815	371,381	19,434	5
2023	May	391,919	372,065	19,854	5.1
2023	Jun	392,470	372,601	19,869	5.1
2023	Jul	392,647	373,079	19,568	5
2023	Aug	393,223	373,704	19,519	5
2023	Sep	394,815	375,173	19,642	5

Table 5: District's unemployment rate by month for the year ended September 30, 2022

FY 2022 Average Unemployment Rate = 5.7%					
Current Year	Month	Labor Force	Number of Employed	Number of Unemployed	Unemployment Rate (%)
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
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

Source: U.S. Bureau of Labor Statistics, Local Area Unemployment Statistics. FY 2023 unemployment data has been revised to reflect updates from source data.

**GOVERNMENT OF THE DISTRICT OF COLUMBIA
UNEMPLOYMENT COMPENSATION FUND
MANAGEMENT’S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2023 AND 2022
(Dollar amounts expressed in thousands)**

ECONOMIC CONDITION AND OUTLOOK

For the year ended September 30, 2023, federal civilian employment accounted for 24.90% of all wage and salary jobs located in the District and 28.00% 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 2023, there were 12,260, or 1.60%, more wage and salary jobs located in the District than in the same period a year earlier. However, this level was almost 30,300 below the same period in 2019, before the pandemic. Hospitality and retail jobs, including amusement and recreation positions, have not recovered, growing by 6,700 jobs in September 2023 when compared to September 2022, but still about 7,230 below pre-COVID-19 levels. Of concern, federal jobs have started declining and in September 2023 were 1.24% below September 2022.
- District resident employment in September 2023 was 584, or 0.20%, lower than a year earlier.
- As of September 2023, the unemployment rate within the District increased to the seasonally adjusted rate of 5.00%, up from the September 2022 revised seasonally adjusted rate of 4.10%.
- Overall wages earned in the District grew 5.00% in the quarter ended September 30, 2023, compared to the same quarter a year ago, led by growth in the high-wage professional and management sector.

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

	2023	2022	2021	2020	2019
Employer taxes/ Government Contributions/ Transfer In from District	\$ 254,673	\$ 160,839	\$ 1,408,492	\$ 1,141,554	\$ 160,718
Interest Earned	5,700	2,019	1,436	10,653	11,949
Benefits Paid	89,251	39,994	1,497,798	1,568,065	120,010
Net Position	328,654	157,532	34,668	73,538	489,396
Total wages	**	\$ 20,965,888	\$ 19,417,265	\$ 18,142,929	\$ 18,680,015

Source: DOES, Office of Labor Market Research and Information. FY 2023 and prior years’ total wage data have been revised to reflect updates from source * *Data not yet available.

**GOVERNMENT OF THE DISTRICT OF COLUMBIA
UNEMPLOYMENT COMPENSATION FUND
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2023 AND 2022**
(Dollar amounts expressed in thousands)

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 and Benefits

Year	Employer taxes / Government Contributions	Benefits Payments	Operating Income (Loss)
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
2023	\$ 141,673	\$ 89,251	\$ 52,422

Table 8: Taxable Wages

Quarter Ending	FY2023	FY2022	FY2021
December 31	\$ 504,100	\$ 568,380	\$ 357,717
March 31	3,837,480	3,630,909	3,327,117
June 30	654,431	728,756	636,619
September 30	**	\$ 628,639	\$ 601,278

*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
YEARS ENDED SEPTEMBER 30, 2023 AND 2022
(Dollar amounts expressed in thousands)

	2023	2022
Current Assets:		
Cash Held With U.S. Treasury (Note 2)	\$358,087	\$175,262
Accounts Receivable, Net (Note 3)	45,662	43,353
Due From D.C. Government (Note 4)	1,032	775
Due From Federal Government (Note 5)	3,657	5,439
Total Current Assets	408,438	224,829
Current Liabilities:		
Accounts Payable (Note 6)	16,869	14,418
Claimants Payable (Note 7)	18,377	12,150
Due To D.C. Government (Note 8)	13,662	15,048
Due To Federal Government (Note 9)	30,876	25,681
Total Current Liabilities	79,784	67,297
Net Position:		
Restricted for Unemployment Compensation Benefits	\$328,654	\$157,532

GOVERNMENT OF THE DISTRICT OF COLUMBIA
UNEMPLOYMENT COMPENSATION FUND
STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
YEARS ENDED SEPTEMBER 30, 2023 AND 2022
(Dollar amounts expressed in thousands)

	2023	2022
Operating Revenues:		
Employer Taxes	\$127,721	\$136,267
Governmental Contributions (Note 10)	13,952	24,572
	141,673	160,839
Operating Expenses:		
Unemployment Benefits (Note 11)	89,251	39,994
Total Operating Expenses	89,251	39,994
Operating Income	52,422	120,845
Transfers and Non-operating Revenues:		
Transfer in from the District	113,000	-
Interest Revenues	5,700	2,019
Total Transfers and Non-Operating Revenues	118,700	2,019
Change in Net Position	171,122	122,864
Total Net Position – Beginning	157,532	34,668
Total Net Position - Ending	\$328,654	\$157,532

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, 2023 AND 2022
(Dollar amounts expressed in thousands)

	2023	2022
Cash Flows from Operating Activities:		
Cash Receipts from Employers	\$ 125,412	\$ 129,493
Cash Receipts from Governmental Contribution	15,477	96,166
Cash Payments for Other Liabilities	6,260	5,231
Cash Payments to Claimants	(83,024)	(107,675)
Net Cash Provided By Operating Activities	64,125	123,215
 Cash Flows from Noncapital Financing Activities:		
Transfer in from the District	113,000	-
Net Cash Provided by Noncapital Financing Activities	113,000	-
 Cash Flows from Investing Activities:		
Interest Income cash received	5,700	2,019
Net Cash Provided by Investing Activities	5,700	2,019
Net Increase in Cash	182,825	125,234
 Cash, Beginning of Year	175,262	50,028
 Cash, Ending of Year	358,087	175,262
 <i>Reconciliation of Operating Income to Net Cash Provided by (Used In) Operating Activities:</i>		
Operating Income	52,422	120,845
Adjustment to reconcile operating income to net cash provided by operating activities		
Receivables/Due from D.C. Govt.	(2,566)	41,753
Due from Federal Govt.	1,782	23,067
Payables	12,487	(62,450)
Total Adjustments	11,703	2,370
 Net Cash Used in Operating Activities	\$ 64,125	\$ 123,215

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, 2023 AND 2022
(Dollar amounts expressed in thousands)

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 or the District's General Fund.

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, 2023 AND 2022
(Dollar amounts expressed in thousands)

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, 2023 and 2022 was \$5,700 and \$2,019, respectively. As of September 30, 2023, cash held at the Treasury was \$358,087 compared to \$175,262 as of September 30, 2022. 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, 2023 and 2022:

	<u>2023</u>	<u>2022</u>
Employer Receivables	\$44,312	\$41,247
Claimant Receivables	49,649	41,913
Due from Other States	<u>828</u>	<u>324</u>
Total Receivables	94,789	83,484
Less: Allowance for Doubtful Accounts	<u>(49,127)</u>	<u>(40,131)</u>
Accounts Receivable, Net	<u>\$45,662</u>	<u>\$43,353</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.

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, 2023, and 2022, the amount due from the District was \$1,032 and \$775, respectively.

GOVERNMENT OF THE DISTRICT OF COLUMBIA
UNEMPLOYMENT COMPENSATION FUND
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2023 AND 2022
(Dollar amounts expressed in thousands)

NOTE 5: DUE FROM FEDERAL GOVERNMENT

As of September 30, 2023, the amount due from the Federal government is \$3,657, compared to \$5,439 as of September 30, 2022. 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 CARES and ARPA, as well as credits to employers and state taxes withheld for claimants.

NOTE 6: ACCOUNTS PAYABLE

Accounts payable as of September 30, 2023 and 2022 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.

	2023	2022
Employer Tax Refund Payable	\$15,757	\$13,712
Due to Other States	969	625
Income Tax Payable	141	81
Others	2	-
Total Accounts Payable	\$16,869	\$14,418

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, 2023 and 2022 were \$18,377 and \$12,150, respectively.

	2023	2022
UI Regular	\$16,427	\$7,975
CARES/ARPA	1,950	4,175
Total Claimants Payable	\$18,377	\$12,150

GOVERNMENT OF THE DISTRICT OF COLUMBIA
UNEMPLOYMENT COMPENSATION FUND
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2023 AND 2022
(Dollar amounts expressed in thousands)

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, 2023 and 2022 consists of the following:

	2023	2022
UC Modernization	\$7,521	\$8,287
District of Columbia on behalf of UI Trust Fund	4,739	4,678
REED ACT	662	1,293
UI Admin COVID 19	392	392
Admin Asses, int & penalties	348	398
Total Due to D.C Government	\$13,662	\$15,048

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, 2023 and 2022 are \$30,876 and \$25,681, respectively.

	2023	2022
Federal Pandemic Unemployment Comp (FPUC)	\$20,058	\$21,436
Pandemic Unemployment Assistance (PUA)	8,326	1,085
CARES ACT (Reimburse Employer Payment)	1,282	1,007
Pandemic Emergency Unemployment Comp (PEUC)	1,150	2,081
UI Benefits - Temporary Extension (EUC 08)	57	72
Mixed Earners UC (MEUC)	3	-
Total Due to Federal Government	\$30,876	\$25,681

GOVERNMENT OF THE DISTRICT OF COLUMBIA
UNEMPLOYMENT COMPENSATION FUND
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2023 AND 2022
(Dollar amounts expressed in thousands)

NOTE 10: GOVERNMENTAL CONTRIBUTIONS

Governmental contributions consisted of the following for the years ended September 30, 2023 and 2022.

	2023	2022
Contribution - D.C Government	\$3,619	\$2,392
Contribution - Other States	1,665	776
DC Delay Compensation	-	4,998
 Federal Programs		
UC - Federal Employees (UCFE)	3,368	1,520
UC - Ex-Servicemen (UCX)	124	69
 CARES Act 2020/ARP Act 2021		
Federal Pandemic Unemployment Comp (FPUC)	3,144	9,277
Pandemic Emergency Unemploymt Comp (PEUC)	1,133	5,932
Pandemic Unemployment Assistance (PUA)	439	3,336
CARES Act (Reimbursement Employer Payment)	275	(1,882)
Ext Benefits (Cont.Unemp.In)	175	(2,033)
CARES Act Waived Wait Week Reimbursement	12	60
LWB 2200-FEMA-Lost Wages Assist Benefit	-	121
CARES Act Mixed Earners UI Comp	(2)	6
Coronavirus Relief	-	-
Total	\$13,952	\$24,572

GOVERNMENT OF THE DISTRICT OF COLUMBIA
UNEMPLOYMENT COMPENSATION FUND
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2023 AND 2022
(Dollar amounts expressed in thousands)

NOTE 11: UNEMPLOYMENT BENEFITS

Unemployment benefits increased in the fiscal year ended September 30, 2023. This increase was mainly due to an increase in claims filed.

Unemployment benefit expenses consisted of the following for the fiscal year ended September 30, 2023 and 2022.

	2023	2022
UI Regular	\$ 80,582	\$ 18,590
DC Delay Compensation	-	4,998
 Federal Programs		
UC - Federal Employees (UCFE)	3,368	1,520
UC - Ex-Servicemen (UCX)	124	69
 CARES Act 2020/ARP Act 2021		
Federal Pandemic Unemployment Comp(FPUC)	3,144	9,277
Pandemic Emergency Unemployt Comp(PEUC)	1,133	5,932
Pandemic Unemployment Assistance (PUA)	439	3,336
Cares Act (Reimb Employer Payment)	275	(1,882)
Ext Benefits (Cont.Unemp.In)	176	(2,033)
Cares Act Waived Wait Week Reimbursement	12	60
LWA 2200-FEMA-Lost Wages Assist Benefit	-	121
Cares Act- Mixed Earners UI Comp	(2)	6
 Total	\$ 89,251	\$ 39,994

NOTE 12: COMMITMENTS AND CONTINGENCIES

As of September 30, 2023, and 2022, 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.



INDEPENDENT AUDITOR'S 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

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 were engaged to audit, 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, 2023, 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 4, 2024.

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) as a basis for designing 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 financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, 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.

McConnell Jones LLP

Washington, D.C.
January 4, 2024

REPORT WASTE, FRAUD, ABUSE, AND MISMANAGEMENT.

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