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GOVERNOR

STATE OF MICHIGAN  
DEPARTMENT OF TALENT AND ECONOMIC DEVELOPMENT  
LANSING

ROGER CURTIS  
DIRECTOR

November 15, 2017

Mr. Rick Lowe, Director  
Office of Internal Audit Services  
Office of Performance & Transformation  
George W. Romney Building  
111 South Capitol, 6<sup>th</sup> Floor  
Lansing, Michigan 48913

Dear Mr. Lowe:

In accordance with the State of Michigan, Financial Management Guide, Part VII, Chapter 4, Section 100, enclosed are our summary table identifying our responses and corrective action to address findings and recommendations related to the Office of the Auditor General's performance audit titled Claimant Services, Unemployment Insurance Agency (UIA), Talent Investment Agency (TIA), Department of Talent and Economic Development (TED), covering the period of October 1, 2012, through September 30, 2015. Please contact me directly with any questions.

Sincerely,

Signature Redacted

Amanda Bright McClanahan,  
Chief Financial Officer, MEDC

Enclosure

c: Wanda Stokes, Director, Talent Investment Agency  
Michelle Beebe, Director, TIA-Unemployment Insurance  
Allen Williams, TED Internal Control Officer

## AUDIT RESPONSE SUMMARY

**Claimant Services**  
**Unemployment Insurance Agency (UIA), Talent Investment Agency (TIA),**  
**Department of Talent and Economic Development (TED),**  
**October 1, 2012 through September 30, 2015**

### Summary Response Matrix

	Complied	Will Comply	Partially Complied	Will Not Comply
Agrees	1a, 1b, 1c, 2b, 2c, 3-1, 3-2, 4a, 4b, 5, 7a, 8a, 8b	2a, 2d, 6a, 6b, 6c, 6d, 7b		
Partially Agrees				
Disagrees				

**Claimant Services**  
**Unemployment Insurance Agency (UIA), Talent Investment Agency (TIA),**  
**Department of Talent and Economic Development (TED)**  
**October 1, 2012, through September 30, 2015**

**FINDING #1 – (Re)determinations of Intentional Misrepresentations**

*We recommend that UIA improve its efforts to obtain supporting information and provide claimants with the facts and rationale for (re)determinations of intentional misrepresentations.*

*The OAG's finding advised UIA to implement the following elements:*

- a. Improve efforts to contact claimants who did not respond to UIA's original requests for information related to (re)determinations. Also, inform claimants that failure to respond will result in a finding of intentional misrepresentation.*
- b. Obtain and consider sufficient information to support adjudications.*
- c. Include the reasons or facts that led to the (re)determination of intentional misrepresentation.*

**Final Response:**

UIA agrees and has fully complied.

UIA now reviews and implements improvements to its system continuously in order to better serve customers. It should be noted that this finding involved a time period during which the agency utilized an automated computer system for issuance of fraud determinations. The automated process ceased in August 2015; staff currently review case files before making such determinations. UIA compliance is further supported by the OAG's preliminary report stating that the UIA's attempts to obtain claimant information meet State and ETA Handbook 301 requirements. This matter is considered resolved.

- a. To enhance the capture of relevant information and simplify instructions for the customer, UIA updated Form 1713, Request for Separation. This update included providing additional space for typed explanations on the online form and a substantial modification to the determination language. This matter is considered resolved.
- b. UIA now includes the facts, supporting information, and reasons when issuing a finding of intentional misrepresentation. This matter is considered resolved.

## **FINDING #2 – Claimant Communications**

*We recommend that UIA continue to enhance existing and explore the feasibility of adding social media methods and processes for communicating with current and prospective UI claimants.*

*The OAG's finding advised UIA to implement the following elements:*

- a. Continue to improve claimants' ability to reach UIA's call center.*
- b. Explore the feasibility and usefulness of using social media (e.g. Facebook, Twitter and LinkedIn) to communicate important UI-related information to the public.*
- c. Improve the selection of and access to claimant webcasts (videos).*
- d. Improve requests for information by specifying time periods associated with employment-related questions sent to claimants.*

### **Final Response:**

UIA agrees, having complied with (b) and (c) and is in the process of complying with (a) and (d):

- a. UIA is committed to improving an individual's ability to reach the call center. In Spring 2017, we contracted with a process reengineering expert to improve real-time call response and wait times. In Fall 2016 and Summer 2017, we evaluated best practices based on USDOL reports, private enterprises, and other state agencies. In September 2017, we identified key performance indicators to measure our success moving forward. In October 2017, we will implement a procedure for handling the known seasonal increase of new initial claims and phone calls. By December 31, 2017, a substantive implementation plan will be finalized for improving the entire call center operations.
- b. UIA now uses social media, including TIA Twitter and Facebook, to communicate important UI related information to the public. Additionally, the UIA posts tips on the UIA website and sends information directly to claimants by email. For example, one tip instructs customers how to reset their own MiWAM password as a way to avoid having to call customer service. This matter is considered resolved.
- c. UIA currently now has three online videos available for claimants regarding instructions on filing a claim for unemployment benefits and what happens after the claim is filed. Two MiWAM tutorials are now available online – Resetting Your Password and Submitting Your Weekly Work Search. A video for claimants and employers – Preparing for Your Appeals Hearing is also available online. While this matter is considered resolved, we will continue to identify additional opportunities for improving the selection of and access to claimant webcasts.
- d. At the time of the audit, UIA's Request for Information form did not list the specific issue, circumstance, or the specific week. The form is now updated to reflect the specific issue and circumstance. An additional update will occur before December 31, 2017 to also reflect the specific week.

### **FINDING #3 – Returned Mail**

*We recommend that UIA attempt to identify the correct mailing addresses for all claimants and employers when mail is returned undeliverable and without a forwarding address and evaluate the need for additional mailings pending this identification.*

*We also recommend that UIA process undeliverable mail in accordance with its written policy.*

*The OAG's finding included the following elements:*

- a. Active employers did not receive either UIA benefit-related or UIA tax and benefit-related mail.*
- b. UIA continued to send correspondence to employers that had legally dissolved or discontinued operations 1 to 5 years earlier.*
- c. UIA continuously sent undeliverable mail to a claimant that was deceased for over 2 years.*

### **Final Response:**

UIA agrees and has fully complied

#### Recommendation 1:

UIA staff is now required to verify and update addresses when a piece of mail is returned by USPS. The first step is generally to contact the claimant or employer by phone or email to obtain a valid address, if a new address cannot be found in any MiDAS or FileNet document. Additional tools used to obtain current addresses include reviewing the Michigan Treasury Database, LARA Business Entity Search, Consolidated Lead Evaluation and Reporting (CLEAR) and GOOGLE. Additional and subsequent mailings are made based on USDOL and MES Act requirements. This matter is considered resolved.

#### Recommendation 2:

UIA now processes undeliverable mail in accordance with its updated written policy.

UIA has assigned a lead staff member to enforce proper mailing procedures that include the following actions:

1. Qualitative and quantitative issues associated with returned mail;
2. Commonalities among returned mail issues(s);
3. High priority forms where the return of which may require further action;
4. Low priority forms where the return of which may be destroyed; and
5. Best practices used in both the private and public sectors.

Further, UIA continues to explore alternate strategies to "find" proper mailing addresses when the address of record appears to be incorrect because items are being returned as undeliverable.

Finally, the UIA now runs a quarterly claimant benefit cross match against the records of the Department of Health and Human Services/ Bureau of Epidemiology & Population Health/ Division for Vital Records & Health Statistics to determine if any claimant certified and/or received payment after the deceased date of death. The last cross match was ran on October 19, 2017 for the third quarter, 2017 and had 50 hits. Out of the 50 hits, only one non-monetary case was created due to payment after the deceased date of death. This matter is considered resolved.

#### **FINDING #4 – Employer Posting of Required Notices and UI Information**

- a. *We recommend that UIA ensure that employers post notices informing workers that they are covered for UI benefits.*
- b. *We also recommend that UIA ensure that employers provide workers with accurate instructions on how to file a claim and register for work to receive UI benefits.*

#### **Final Response:**

UIA agrees and has fully complied.

- a. The UIA handbook now includes a link to the required notice and a copy of the actual notice for employee benefits. This publication is available online. The UIA Field Audit Unit has updated its Field Audit Handbook which now requires staff to verify employer compliance in the posting of all required notices. As part of both the UIA's random audit process and targeted selection process, a portion of Michigan employers will be reviewed annually for posting compliance. This matter is considered resolved.
- b. UIA now provides copies of the notice during employer and unemployed worker seminars. In addition, the UIA participates in several programs intended to facilitate the unemployment process by bringing the employer, affected workers and UIA staff together at the same time and place. These programs are known as Rapid Response and Worker Orientations. These programs provide accurate instructions on how to file a claim and also how to register for work. This matter is considered resolved.

#### **FINDING #5 – Claimant Satisfaction Data**

*We recommend that UIA regularly seek feedback from claimants to evaluate their satisfaction with UIA's service delivery systems, processes, and personnel and to timely identify and subsequently address issues requiring management's attention and action.*

#### **Final Response:**

UIA agrees and has fully complied

UIA now obtains claimant feedback through the use of flyers, comment cards and surveys. UIA also provides an employer advisor email address for submitting suggestions, which is routinely monitored. UIA also conducts online and in-person surveys following unemployment worker and employer seminars. Results of the customer survey are sent biweekly to the director of

Customer Service (for claimants) or to the OEO manager (for employers) for review and response if necessary. This matter is considered resolved.

### **FINDING #6 – Federal Claims Processing Performance Standards**

*We recommend that UIA continue to take actions to consistently meet federal performance standards related to initial benefit payments, nonmonetary determination processing, and appeals processing.*

*The OAG's finding included the following elements:*

- a. UIA did not consistently meet UI Performs core measure - at least 87% of all initial benefit payments within 21 days of the week ending date of the first compensable week of a claimant's benefit year.*
- b. UIA did not meet UI Performs core measure - at least 80% of nonmonetary determinations (both separation and non-separation issues) within 21 days of the issue detection dates.*
- c. Michigan did not meet UI Performs core measure - average age of pending lower authority appeals to be 30 days or less.*
- d. UIA did not earn consistently high scores for quality of its separation-related nonmonetary determinations.*

### **Final Response:**

The UIA agrees and will continue to monitor through December 31, 2017. Resources were temporarily diverted to thoroughly review all intentional misrepresentation cases that were originally resolved during the period of auto-adjudication. This caused a temporary decline in meeting performance expectations on the items mentioned by OAG.

- a. The agency continues to take actions to consistently meet the federal performance standards. UIA processed 88.6% of all first payments within the allotted timeframe during Calendar Year 2016, surpassing the US Department of Labor Acceptable Level of Performance of 87%.
- b. The agency continues to take actions to consistently meet the federal performance standards. UIA processed 83.1% of nonmonetary determinations within the allotted timeframe during Calendar Year 2016, surpassing the US Department of Labor Acceptable Level of Performance of 80%.
- c. The agency continues to take actions to consistently meet the federal performance standards. The agency processed Lower Authority Appeals within an average of 28.7 days during Calendar Year 2016, surpassing the US Department of Labor Acceptable Level of Performance of 30 days.
- d. The agency continues to take actions to consistently meet the federal performance standards. UIA achieved a quality score of 85.7% for separation and 92.0% for nonseparation determinations during Calendar Year 2016, surpassing the US Department of Labor Acceptable Level of Performance of 75%.

### **FINDING #7 – Worker Profiling and Reemployment Services (WPRS) System**

- a. *We recommend that UIA periodically evaluate the effectiveness of its WPRS System.*
- b. *We also recommend that UIA periodically review and update its profiling model.*

#### **Final Response:**

UIA agrees, having complied with (a) and is in the process of complying with (b):

- a. UIA coordinates with MWDA to ensure that reports are generated, guidelines are followed, and to provide feedback on success stories and areas for improvement. Effective April 1, 2016, the Agency changed from WPRS to the Reemployment Services and Eligibility Assessment (RESEA) program. UIA prepares the ETA 9128 Reemployment and Eligibility Assessment Workload and ETA 9129 Reemployment and Eligibility Assessment Outcomes reports for the US Department of Labor. Such reports are also used by UIA and MWDA to measure program effectiveness. This matter is considered resolved.
- b. The profiling model is used to identify individuals who are most likely to exhaust their benefits at the beginning of their claim filing process. This serves in directing such individuals to services that will facilitate a quicker return to employment. An update to the model includes reviewing historical data of claims that were both exhausted and not exhausted, identifying which variables appear to have the greatest correlation to exhaustion, and then applying such variables to a regression analysis. The preliminary analysis is complete. The model will be tested by December 31, 2017. Moving forward, UIA is committed to a biannual review of the profiling model.

### **FINDING #8 – Claimant Referrals to Reemployment Services**

- a. *We recommend that UIA consistently refer claimants meeting UIA's mandatory reemployment service participation criteria to MWDA for reemployment services.*
- b. *We also recommend that UIA take action to reduce the number of claimants excused, without consequence, from mandatory participation in reemployment services after missing their scheduled appointment.*

#### **Final Response:**

UIA agrees, having complied with (a) and (b):

- a. UIA corrected an oversight in the claim data gathering process and now obtains each claimant's county of residence. With the county information, the UIA is able to assign each claimant to the appropriate MWA office for reemployment services. This matter is considered resolved.



- b. UIA began sending electronic appointment notifications for reemployment services to claimants who have designated electronic communication as their preferred method of communication with UIA on August 14, 2017. There are three new processes for the 2017 RESEA which will increase mandatory participation:
1. Claimant may be requested to complete a 2<sup>nd</sup> RESEA.
  2. Claimant can now reschedule their RESEA appointment with a MWA representative.
  3. Claimant may receive an email from MWA about reemployment services.

This matter is considered resolved.