

Office of the Auditor General

Performance Audit Report

Claimant Services

Unemployment Insurance Agency, Talent Investment Agency
Department of Talent and Economic Development

April 2016

State of Michigan Auditor General
Doug A. Ringler, CPA, CIA

The auditor general shall conduct post audits of financial transactions and accounts of the state and of all branches, departments, offices, boards, commissions, agencies, authorities and institutions of the state established by this constitution or by law, and performance post audits thereof.

Article IV, Section 53 of the Michigan Constitution



OAG

Office of the Auditor General

Report Summary

Performance Audit

Claimant Services

Unemployment Insurance Agency, Talent Investment Agency, Department of Talent and Economic Development

Report Number:
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The Unemployment Insurance Agency (UIA) helps jobless workers and their families by providing up to 20 weeks of regular unemployment insurance (UI) benefits while they seek new employment. UIA reported that it received 607,652 new claims and paid UI benefits totaling approximately \$1.1 billion to 370,980 unduplicated claimants in fiscal year 2014. UIA's fiscal year 2014 administrative expenditures totaled approximately \$155.6 million.

Audit Objective			Conclusion
Objective #1: To assess the clarity and comprehensiveness of UIA's communications with UI claimants.			Moderately clear and comprehensive
Findings Related to This Audit Objective	Material Condition	Reportable Condition	Agency Preliminary Response
UIA needs to improve its efforts to obtain and/or consider supporting information and provide claimants with the facts and rationale when it determines that claimants provided false or misleading information. Adjudicating these issues may result in reimbursement, penalties, and criminal prosecution. Also, these improvements will help claimants better understand the allegations against them to make informed decisions on their next course of action (Finding #1).	X		Agrees
UIA needs to continue to enhance existing and explore new social media methods and processes for communicating with current and prospective UI claimants. Accessible and comprehensive communications help ensure that claimants timely understand the various requirements for receiving UI benefits (Finding #2).		X	Agrees
UIA did not effectively and efficiently process claimant and employer mail that was returned undeliverable and without a forwarding address. Doing so resulted in increased printing, mailing, and workload costs of its mailroom personnel, claims examiners, and others. Also, claimants and employers did not receive important communications from UIA (Finding #3).		X	Agrees
UIA did not ensure that employers posted notices informing workers that they were covered for UI benefits. Also, more accurate instructions could have reduced the number of untimely claims, including the 45,700 ineligibility determinations issued between October 1, 2013 and February 26, 2015, for failing to apply in a timely manner (Finding #4).		X	Agrees

Findings Related to This Audit Objective (Continued)	Material Condition	Reportable Condition	Agency Preliminary Response
UIA should seek regular feedback from claimants to evaluate their satisfaction with UIA's service delivery systems, processes, and personnel and to timely identify and address issues requiring management's attention (<u>Finding #5</u>).		X	Agrees

Audit Objective			Conclusion
Objective #2: To assess UIA's efforts to ensure compliance with the U.S. Department of Labor's quality and timeliness standards related to UI claims processing.			Moderately effective
Findings Related to This Audit Objective	Material Condition	Reportable Condition	Agency Preliminary Response
UIA did not consistently meet federal performance standards related to initial benefit payments, nonmonetary determination processing, and appeals processing. In addition, UIA needs to improve the quality of its separation-related nonmonetary determinations. These conditions resulted in delayed benefit payments and improper benefit payments and claims denials, which, if left uncorrected, could result in the loss of federal administrative grant funding (<u>Finding #6</u>).		X	Agrees

Audit Objective			Conclusion
Objective #3: To assess UIA's efforts to identify claimants likely to exhaust their UI benefits and refer them to appropriate reemployment services.			Moderately effective
Findings Related to This Audit Objective	Material Condition	Reportable Condition	Agency Preliminary Response
UIA did not periodically evaluate whether its Worker Profiling and Reemployment Services (WPRS) system effectively reduced program participants' length of unemployment and the amount of UI benefits paid. Also, UIA did not periodically review and update its profiling model to accurately identify the claimants who were most likely to exhaust their regular UI benefits before returning to work. Annual savings to Michigan with an effective WPRS system could total over \$11.7 million (<u>Finding #7</u>).		X	Agrees
UIA did not refer some claimants who met UIA's mandatory reemployment service participation criteria to the Michigan Workforce Development Agency for reemployment services. Also, UIA did not take sufficient action to reduce the number of claimants that it excused, without consequence, from mandatory participation in reemployment services after missing their scheduled appointment. Some claimants may not have returned to work as soon as otherwise possible, resulting in lost wages to the claimants and increased costs to the UI program (<u>Finding #8</u>).		X	Partially agrees

A copy of the full report can be obtained by calling 517.334.8050 or by visiting our Web site at: www.audgen.michigan.gov

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April 21, 2016

Ms. Sharon A. Moffett-Massey, Director
Unemployment Insurance Agency
Cadillac Place
Detroit, Michigan
and
Mr. Steven Arwood, Director
Department of Talent and Economic Development
300 North Washington Square
Lansing, Michigan

Dear Ms. Moffett-Massey and Mr. Arwood:

I am pleased to provide this performance audit report on Claimant Services, Unemployment Insurance Agency, Talent Investment Agency, Department of Talent and Economic Development.

We organize our findings and observations by audit objective. Your agency provided preliminary responses to the recommendations at the end of our fieldwork. The *Michigan Compiled Laws* and administrative procedures require an audited agency to develop a plan to comply with the recommendations and submit it within 60 days of the date above to the Office of Internal Audit Services, State Budget Office. Within 30 days of receipt, the Office of Internal Audit Services is required to review the plan and either accept the plan as final or contact the agency to take additional steps to finalize the plan.

We appreciate the courtesy and cooperation extended to us during this audit.

Sincerely,

Doug Ringler
Auditor General

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AUDIT OBJECTIVES, CONCLUSIONS, FINDINGS, AND OBSERVATIONS

COMMUNICATIONS WITH UI CLAIMANTS

BACKGROUND

The Unemployment Insurance Agency (UIA) has four remote interactive claim centers. One center takes unemployment insurance (UI) claims and answers claimant questions over the telephone. The other three centers process incoming correspondence, process and adjudicate* claims, and complete other claims-related tasks. Also, UIA has 15 problem resolution offices located throughout the State that provide claimants with access to telephones and computers for filing their UI claims and that offer personal assistance to claimants on UI-related matters. In addition, UIA has a designated team that answers claimant questions sent to UIA electronically.

In October 2013, UIA implemented the benefit section of its new computer system, Michigan Integrated Data Automated System (MiDAS). MiDAS provides for more efficient processing of claims than UIA's predecessor system. UIA simultaneously upgraded its Michigan Web Account Manager (MiWAM), which allows claimants to file UI benefit claims, monitor the status of claims, file appeals, and respond to fact finding requests through the Internet.

AUDIT OBJECTIVE

To assess the clarity and comprehensiveness of UIA's communications with UI claimants.

CONCLUSION

Moderately clear and comprehensive.

FACTORS IMPACTING CONCLUSION

- UIA effectively used many of the communication strategies for claimants recommended in the U.S. Department of Labor's (USDOL's) UI Claimant and Employer Message Toolkit.
- UIA provided claimants with multiple avenues for filing UI claims, completing their biweekly certifications, and communicating with UIA.
- Instructions provided to claimants when applying and certifying for UI benefits were generally clear and comprehensive.
- Most UIA form letters sent to claimants were clear and comprehensive.
- Material condition* related to obtaining the necessary information for accurately adjudicating select claims and providing claimants with the reasons supporting UIA's (re)determinations.

* See glossary at end of report for definition.

- Reportable condition* related to enhancing methods and processes for communicating with claimants.
- Reportable condition related to ineffective and inefficient processing of undeliverable claimant and employer mail.
- Reportable condition related to ensuring that employers posted notices and provided workers with required information regarding unemployment benefits.
- Reportable condition related to not obtaining service satisfaction information from claimants.

** See glossary at end of report for definition.*

FINDING #1

UIA needs improvement in making and communicating (re)determinations of intentional misrepresentation.

UIA needs to improve its efforts to obtain and/or consider supporting information and provide claimants with the facts and rationale for claims identified as including potentially false or misleading information (intentional misrepresentation*).

Accurately adjudicating issues of intentional misrepresentation is crucial because of the statutory benefit payback provisions and significant penalties, along with the potential for criminal prosecution. Also, claimants need to know how UIA arrived at its conclusions to allow claimants to make informed decisions on whether to protest or appeal the (re)determinations.

Between October 1, 2013 and March 31, 2015, UIA issued 60,324 (re)determinations finding intentional misrepresentation on 47,350 claims. We reviewed 60 of these (re)determinations and noted:

UIA could have improved efforts to contact 22 claimants who did not respond to UIA's original requests for information related to 46 (re)determinations finding intentional misrepresentation.

- a. UIA could have improved its efforts to contact 22 claimants who did not respond to UIA's original requests for information related to 46 (76.7%) (re)determinations. Also, UIA did not inform claimants that, absent new information provided by another source, failure to respond to the requests for information would result in a finding of intentional misrepresentation. Instead, the requests stated that failure to respond would result in a (re)determination based on available information. UIA assessed the 22 claimants statutorily required penalties totaling \$184,795.

The United States Postal Service (USPS) returned 2 (9.1%) of the 22 requests as undeliverable. UIA informed us that it did not resend the returned requests to claimants because the claimants' deadlines to respond to the requests, which would not change with remailing, would have already passed. Also, UIA did not open 5 (10.9%), 13 (28.3%), and 3 (6.5%) of the 46 misrepresentation issues for 6 months to 1 year, 1 to 2 years, and more than 2 years, respectively, after the last UI benefit payments for the related claims. Because of these significant time lags, some of the requests for information related to the intentional misrepresentations that UIA sent electronically may also have gone undeliverable and contributed to the high nonresponse rate.

Although UIA's attempts to obtain claimant information met State and ET Handbook 301, 5th Edition, requirements, additional attempts to contact these claimants would have better ensured that the claimants were provided adequate due process prior to finding intentional misrepresentation.

* See glossary at end of report for definition.

- b. UIA did not obtain and/or consider sufficient information to support some adjudications made for claimants who responded to UIA's requests for information related to issues of intentional misrepresentation.

UIA asked claimants only two questions on the requests for information:

- (1) Did the claimants intentionally provide false information to obtain benefits that they were not entitled to receive? (A "yes" or "no" answer was required.)
- (2) Why did the claimants think they were entitled to benefits?

UIA determined intentional misrepresentation existed when claimants either answered "yes" to the first question, where a "yes" appears to be an admission, or answered "no" to the first question but checked the box for 1 of 3 of the 7 non-"other" responses to the second question. Although some of these responses appeared to provide sufficient proof of intentional misrepresentation, others did not. For example, responding "no" to the first question and that one needs the money in response to UIA's second question may not, in itself, adequately support an intentional misrepresentation (re)determination.

The Handbook states that adjudicators should closely examine all of the facts related to (re)determinations of intentional misrepresentation. Examples of relevant facts to consider in making the (re)determinations include claimants' education levels, language barriers, and prior claims experiences.

- c. UIA did not include the reasons for, or facts that led to, the written (re)determinations of intentional misrepresentation, when UIA contacted the claimant, as required by Title 20, Part 602, Appendix A of the *Code of Federal Regulations (CFR)* and Section 421.32(a) of the *Michigan Compiled Laws*. Instead, the (re)determinations only stated that the claimants' actions indicated that the claimants intentionally misled and/or concealed information to obtain benefits that the claimants were not entitled to receive.

RECOMMENDATION

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

**AGENCY
PRELIMINARY
RESPONSE**

UIA provided us with the following response:

The UIA agrees that (re)determinations finding intentional misrepresentation should include the facts, supporting information, and the reason(s) on which the (re)determination is based. In 2015, the UIA began a review of its intentional misrepresentation (re)determinations processes. As a result, intentional misrepresentation matters are investigated, reviewed, and determined by staff to ensure the inclusion of relevant facts, reason(s), and conclusions within these (re)determinations. The UIA continuously reviews and implements improvements in its system in order to better serve customers.

FINDING #2

Enhanced communications with claimants are needed.

UIA did not answer 234,901 (89.1%) of 263,726 calls made to its call center.

UIA needs to continue to enhance existing and explore new social media* methods and processes for communicating with current and prospective UI claimants. Suggested enhancements include:

- a. Continue to improve claimants' ability to reach UIA's call center.

Since 2011, UIA has made significant upgrades to its call center telephone system that provide for greater oversight and management of call center staff, the ability to offer a limited number of claimants the option of receiving a call back from UIA rather than waiting on hold, and other benefits. Although these enhancements reduced total claimant hold times and call lengths, many calls continued to go unanswered. For example, UIA did not answer 234,901 (89.1%) of 263,726 calls made to its call center during business weeks ended August 22, 2014 and September 22, 2014. Also, callers abandoned 8,333 (28.9%) of the 28,825 calls while waiting on hold for a UIA representative. Because the number of calls greatly exceeded the number of claimants during these weeks, it is likely that some individual claimants made multiple call attempts.

Claimants' inability to reach UIA's call center was a significant frustration echoed by many claimants who responded to our claimant satisfaction survey (presented as supplemental information in this report).

- 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.

USDOL's UI Claimant and Employer Message Toolkit promotes the use of social media as a best practice for efficiently disseminating content and maximizing impact with broad audiences. UIA could utilize social media to educate claimants about available UI benefit programs, significant program requirements, common errors made by claimants when applying and certifying for UI benefits, and other issues.

UIA could also use social media to help address some of the findings in this report. For example, UIA could use it to monitor and improve claimant satisfaction (Finding #5); promote the use of its electronic communications, which would reduce the burden on its more expensive call centers (part a. of this finding); and

* See glossary at end of report for definition.

better inform the public of the timeliness requirements for applying for UI benefits (Finding #4).

- c. Improve the selection of and access to claimant webcasts (videos).

UIA's Web site provides links to a variety of webcasts on topics directly impacting UIA claimants. On various occasions from March through May 2015, we attempted to view many of these webcasts. However, none of the webcasts would play. Also, UIA did not have any webcasts related to MiWAM, its automated claims processing system, which went live approximately 19 months earlier.

USDOL's UI Claimant and Employer Message Toolkit promotes claimant webcasts for communicating important UI-related information to claimants because they are easier to digest than straight text documents.

- d. Improve its requests for information by specifying the time periods associated with the employment-related questions included in the requests for information sent to claimants.

Michigan Administrative Code R 421.121(2) requires employers to report their quarterly wages to UIA within 25 days of the end of their respective fiscal year quarters. Four months after the end of each calendar quarter, UIA matches the employer-reported wages with the wages reported by UI claimants during their biweekly benefit certifications. Claimants with wage differences exceeding established thresholds are identified for further review. UIA sends these claimants a request for information regarding their current employment status.

Because significant time often elapses before UIA sends these information requests, it is often not possible for UIA to know if the claimants' reported employment-related information is relevant to its review. Identifying employment status during the time period of the potential wage underreporting can help UIA ensure that the employment-related information is relevant to its review.

RECOMMENDATION

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.

**AGENCY
PRELIMINARY
RESPONSE**

UIA provided us with the following response:

The UIA agrees that continued enhancement to existing social media methods and communications regarding prospective UI claimants is needed.

With respect to the numbers used by the Office of the Auditor General (OAG) regarding the call center, these are Automated Number Identification (ANI) results, which identify call attempts and not true number of unique callers. For example, for the weeks ended August 22, 2014 and September 20, 2014, there were 58,212 "total unique calls." Of these "total unique calls," the UIA did not answer 28,131 (nearly 50%) of the 58,212.

During the same period for the business weeks ended August 21, 2015 and September 19, 2015, the total unique calls were 33,688. Of these "total unique calls," UIA did not answer 7,160 (21%) of the 33,688 "total unique calls." This is an improvement of 29% over the past year. In the past year, UIA has decreased the number of abandoned calls by 15%.

The UIA call center is not the sole source for customers to reach UIA. The employers/claimants can e-mail the UIA through their MiWAM accounts or claimants can visit their local problem resolution offices.

Social media is an important tool that the UIA utilizes to increase its reach to customers and communicate important information regarding unemployment insurance. The UIA, through the Talent Investment Agency (TIA) social media sites, communicates important UI-related information to the public such as available UI benefit programs, requirements, events, best practices, and other news of interest or assistance to claimants. The TIA Twitter and Facebook pages are also used to direct UIA customers to the appropriate resources on the UIA Web site as well as monitor and answer customer inquiries.

The UIA is updating all webcasts available on the public UIA Web site. New videos will appear throughout the remainder of 2016.

To further enhance the UIA reach to customers, an up-to-date e-mail listserv for UIA customers with a MiWAM account has been created in order to forward updates and messages regarding unemployment insurance.

FINDING #3

Improvements are needed in returned mail processes.

UIA did not effectively and efficiently process claimant and employer mail that was returned undeliverable and without a forwarding address. Doing so resulted in increased printing, mailing, and workload costs of its four mailroom personnel, claims examiners, and others. Also, claimants did not receive important information related to their eligibility for, amount of, and duration of UI benefits, and employers did not receive information directly impacting their unemployment tax liabilities.

UIA estimated that the USPS returned 451,000 undeliverable mail items to UIA in 2014 while UIA expended approximately \$3.8 million for postage.

UIA Manual Section 7935 requires UIA mailroom personnel to scan returned mail containing any of nine benefit-related forms into its electronic document repository (FileNet) when the mail does not contain a forwarding address. UIA claims examiners must call claimant addressees only to obtain their current addresses. Claimants are held ineligible for benefits when they cannot be reached or do not return messages left by UIA claims examiners within 48 hours. UIA does not inactivate invalid claimant or employer addresses to prevent sending additional mailings to them. Returned mail without a forwarding address or that does not require scanning is shredded without additional review.

Of 50 randomly selected returned mail items (46 employer addressees and 4 claimant addressees) discarded for shredding on April 3, 2015, UIA mailroom personnel inappropriately discarded without required processing 14 (28.0%) mail items for 13 unique addressees. Mailroom personnel did not appropriately process 2 of the 14 mail items because the specific forms included therein (and one other form) were mistakenly excluded from the preprinted list of forms to be pulled for additional processing. Additional analysis of the 13 unique addressees and 2 judgmentally selected employers with returned mail not requiring scanning disclosed:

- a. Seven addressees were active employers that did not receive either UIA benefit-related mail or both tax and benefit-related mail. There was no indication that UIA tried to obtain a valid mailing address for 6 (85.7%) of the 7 employers. However, with minimal effort, we identified current mailing addresses for 4 (57.1%) of the employers whose addresses had changed up to seven years earlier. Two (28.6%) of these employers had accumulated delinquent UI taxes, interest, and penalties totaling over \$79,000. UIA sent one of these employers 129 undeliverable mail items containing tax notices, tax liens, benefit determinations, and other issues and significant amounts of undeliverable mail to the other employers.

- b. Three addressees were for employers that legally dissolved and/or discontinued their operations from 1 to 5 years earlier. Another employer addressee was no longer doing business in Michigan but had not filed the necessary paperwork to officially dissolve the business. UIA continued to send correspondence to the defunct employers at their last known addresses. For example, UIA sent 27 pieces of benefit-related mail to one of the employers after UIA officially closed the employer's tax account in September 2014.
- c. Two addressees were UIA claimants with open actions that will result in UIA sending additional undeliverable mail to the claimants. One of the claimants died approximately two years ago. From October 21, 2014 through May 4, 2015, UIA sent the estate of the deceased claimant 114 monthly statements to collect a \$1,184 benefit overpayment resulting from an issue that UIA opened and adjudicated against the claimant after the claimant's death for failing to respond to UIA's fact finding questionnaire.

UIA was not able to provide any explanation as to why it continued to send mail to undeliverable addresses.

RECOMMENDATIONS

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.

AGENCY PRELIMINARY RESPONSE

UIA provided us with the following response:

The UIA agrees that "returned mail" remains a challenge for the UIA. For this audit, the OAG estimated that the USPS returned 451,000 pieces of mail during calendar year 2014. When compared against the volume of mail received by the UIA during calendar year 2014, less than 8% of the mail had been returned.

The UIA validates addresses against USPS records. UIA will reinforce existing procedures that require staff to update and/or verify addresses when a piece of returned mail includes a "forwarding address" as supplied by the USPS.

Further, UIA intends to develop and institute a quality assurance lead staff member charged with, among other things:

Identifying (a) qualitative and quantitative issues associated with returned mail; (b) commonalities among returned mail issue(s); and (c) "priority" forms where the return of which may require further action; (d) low priority forms where the return of which may be destroyed; (e) best practices used in both the private and public sectors; and (f) exploration of alternate strategies and approaches to "find" proper mailing addresses when items are returned as undeliverable.

Finally, the UIA will continue to review, revise, and reinforce its returned mail procedures.

FINDING #4

UIA did not ensure that employers posted required notices or provided workers with required UI information.

UIA did not ensure that employers posted notices informing workers that they were covered for UI benefits and provided them with accurate instructions on what to do and where to go to file a claim and register for work to receive UI benefits.

From October 1, 2013 through February 26, 2015, UIA issued approximately 45,700 determinations holding claimants ineligible for UI benefits for failing to apply in a timely manner. UIA did not consider claimants' failure to know UIA's filing deadline to be a good cause for late filing. We could not determine how many of the late-filing claimants were unaware of the filing deadline. With improved information, UIA could help minimize the number of ineligible claimants because of untimely applications. Also, it would ease UIA's related administrative burden while simultaneously getting UI benefits to newly unemployed individuals more quickly.

Federal regulation 20 *CFR* 602, Appendix A, requires employers to give their employees information and instructions concerning their potential rights to benefits and how to file a benefit claim. Accordingly, UIA provided employers with posters to display and required employers to provide a form UIA 1711 or an equivalent written notice telling employees when they must file (first week of unemployment), how and where to file, and that they must register for work for UI benefits. The Appendix states that if employers post the required information, UIA must ensure that it is done conspicuously and at all times. UIA informed us that it rarely sees claimants with form UIA 1711.

Form UIA 1711, last revised in June 2012, stated that claimants could file their benefit claims online from 7:00 a.m. to 7:00 p.m. Monday through Saturday. However, since October 1, 2013, claimants have been able to file their benefit claims online 24 hours a day Sunday through Saturday. UIA informed us that other priorities have precluded it from updating form UIA 1711.

RECOMMENDATIONS

We recommend that UIA ensure that employers post notices informing workers that they are covered for UI benefits.

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.

AGENCY PRELIMINARY RESPONSE

UIA provided us with the following response:

The UIA agrees that employers should post all required notices. The Employer Handbook (available online free of charge) includes both a link to the required notice and a copy of the actual notice, as well as in Form UIA 1252 - Employer

Online Filing Kit. With more than 200,000 employers located throughout the State of Michigan, it is simply not possible for the UIA to conduct 200,000 on-site visits for purposes of "ensur[ing] that employers post [the required] notices" However, the UIA's Field Audit Division has updated its field audit handbook, which requires staff to verify compliance with R. 105(1) as a part of the UIA's random audit processes; thus, a portion of the state's employers will be reviewed for posting compliance. Additionally, the UIA has revised Form UIA 1711 - Unemployment Compensation Notice to Employees and updated the information.

Further, the UIA holds employer and unemployed worker seminars throughout the year and will provide copies of the notice in the literature.

Finally, 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.

FINDING #5

UIA needs to obtain and utilize claimant satisfaction data.

UIA should seek regular feedback from claimants to evaluate their satisfaction with UIA's service delivery systems, processes, and personnel and to timely identify and address issues requiring management's attention.

UIA's mission* is to provide the highest quality UI services to ensure the economic growth of Michigan's workers and employers. Consistent with its mission, UIA identified customer centricity as one of its core values to guide the perspective and actions of its employees. A widely used measure of service quality, which also aligns with UIA's customer centric mission and values, is customer satisfaction.

In its 2014 Putting Citizens First report that surveyed approximately 17,000 citizens across 15 states (including Michigan) and interviewed government leaders, the McKinsey Center for Government identified regular customer satisfaction assessment as a critical tool for focusing employees on the importance of fulfilling customer expectations and providing management with data driven insights into the parts of their operations that are working well and those requiring improvement.

UIA last completed a narrow-scoped claimant satisfaction survey in 2010. Also, UIA obtained claimant feedback via a brief seven-question comment card available in its problem resolution offices. However, UIA informed us that it did not compile and analyze the information contained on the comment cards. The majority of UIA/claimant interactions occur online or on the telephone, which presents UIA with a relatively inexpensive way to obtain claimant feedback while it is still fresh in the minds of the claimants. For example, UIA could survey claimants in MiWAM immediately after they complete their UI benefit application or first biweekly certification or at any other point when the claimants interact with MiWAM. Similar opportunities exist for claimants who complete their UI claims-related activities over the telephone.

We conducted a mail and online survey of 500 claimants (see supplemental information). Our survey identified significant dissatisfaction with the protest and appeals processes. If UIA conducted similar surveys and identified the root cause of the claimants' dissatisfaction, UIA could take timely action to correct deficiencies in the systems, processes, and/or personnel and improve the overall quality of its services.

RECOMMENDATION

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.

** See glossary at end of report for definition.*

**AGENCY
PRELIMINARY
RESPONSE**

UIA provided us with the following response:

The UIA agrees that there is a need to gauge its customer satisfaction regarding the services it provides. The UIA also acknowledges there are opportunities to improve customer service by utilizing tools such as online surveys and surveying customers following unemployment worker and employer seminars.

UIA has been making strides in obtaining feedback from its customers by providing customers with comment cards after obtaining service at one of its problem resolution offices.

In June 2015, the UIA began an effort to gauge customer satisfaction by launching an ongoing Feedback Survey on its public Web site. Staff review and analyze customer feedback quarterly to determine problem areas and gauge customer satisfaction and understanding of the UI system. Claimant concerns are forwarded to the appropriate unit to timely address and resolve.

The online survey measures satisfaction with customer service and elicits suggestions for improvement. The survey is periodically revised to provide additional opportunities for customer feedback. Customers are encouraged to take the online survey by staff, through flyers in the problem resolution offices, social media, and messages included with several UIA communications.

COMPLIANCE WITH USDOL STANDARDS

BACKGROUND

UI Performs is USDOL's performance management system for the overall UI program. UI Performs aims to ensure increasingly effective, consistent, and efficient service to workers and employers. The core measures within UI Performs monitor key activities that have uniform national acceptable levels of performance.

AUDIT OBJECTIVE

To assess UIA's efforts to ensure compliance with USDOL's quality and timeliness standards related to UI claims processing.

CONCLUSION

Moderately effective.

FACTORS IMPACTING CONCLUSION

- UIA has made and continues to make significant changes to its business processes, which resulted in meaningful improvements in its performance relative to federal performance standards.
- UIA has aggressively worked to reduce its backlogs, which has negatively impacted its ability to meet federal performance standards.
- Reportable condition related to not meeting or not consistently meeting federal performance standards.

FINDING #6

UIA did not meet various federal claims processing performance standards.

UIA did not consistently meet federal performance standards related to initial benefit payments, nonmonetary determination* processing, and appeals processing. In addition, UIA needs to improve the quality of its separation-related nonmonetary determinations. These conditions resulted in delayed benefit payments and improper benefit payments and claims denials, which, if left uncorrected, could result in the loss of federal administrative grant funding.

In August 2011, the USDOL's Employment and Training Administration (ETA) designated UIA as "marginally at risk" for consistently failing to meet ETA's UI Performs core measures related to first payment timeliness and lower authority appeals processing timeliness. In 2014, after UIA failed to sufficiently improve its performance, ETA designated UIA as "at risk" and began intensive efforts to assist UIA with improving its performance. As of June 30, 2015, UIA was still designated as at risk. We noted:

- a. UIA did not consistently meet the UI Performs core measure that required UIA to make 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*. UIA's monthly performance was below standard for 14 (66.7%) months during the 21-month period ended June 30, 2015. UIA's performance ranged from a low of 67.4% in February 2014 to a high of 91.0% in December 2014.
- b. UIA did not meet the UI Performs core measure that required the completion of at least 80% of nonmonetary determinations (both separation and non-separation issues) within 21 days of their issue detection dates. For the quarter ended September 30, 2011, UIA completed only 53.0% and 38.6% of its separation and non-separation determinations, respectively, within 21 days. For the quarter ended March 31, 2015, UIA had increased its timely completion of separation and non-separation determinations to 72.2% and 74.4%, respectively.
- c. Michigan did not meet the UI Performs core measure that required the average age of pending lower authority appeals to be 30 days or less. Since being designated marginally at risk, the average age of pending lower authority appeals has steadily increased from 34 days for the quarter ended September 30, 2011 to 94 days for the quarter ended June 30, 2015. For the quarter ended June 30, 2015, Michigan was the second lowest performing state relative to this core measure.

* See glossary at end of report for definition.

- d. UIA did not earn consistently high scores for the quality of its separation-related nonmonetary determinations. Nonmonetary determinations are critical for determining claimants' past, present, or future eligibility for UI benefits and impact the rights of both claimants and employers. Therefore, it is imperative that UIA make these determinations only after obtaining, or attempting to obtain, all the facts relevant to the issue at hand.

As shown in the chart below, during the five most recently completed quarters, UIA met the UI Performs core measure for both separation and non-separation issues, which required a quality score of 95 or higher on at least 75% of the nonmonetary determinations sampled and reviewed. However, the quality of its separation-related determinations significantly lagged that of its non-separation related determinations, was inconsistent from quarter to quarter, and was only 1.0% above the minimum acceptable performance level during the most recently completed quarter:

Percentage of Determinations Scoring 95 Points or Higher

Nonmonetary Determination Type	For the Quarter Ended				
	June 30, 2014	September 30, 2014	December 31, 2014	March 31, 2015	June 30, 2015
Separations	85.4%	79.6%	91.7%	79.6%	76.0%
Non-separations	93.8%	91.7%	90.7%	85.7%	89.4%

The predominant reason that individual separation-related nonmonetary determinations did not achieve acceptable quality scores was because of insufficient fact finding. For example, UIA made determinations without sending out fact finding questionnaires, waiting for fact finding questionnaires to be returned by claimants or employers, or obtaining rebuttal statements from claimants or employers, when necessary.

UIA informed us that high workloads experienced during the economic downturn of 2008 and 2009 resulted in significant quantities of backlogged work items which continue to negatively impact its claims processing performance today. Also, UIA stated that its efforts to process the backlogged work items were hampered by significant staffing reductions caused by decreased federal administrative funding after the Great Recession.

After being designated as marginally at risk, UIA implemented, and continues to refine, a new benefits system that automatically completes many different work items that were previously completed manually. Also, UIA reengineered, and

continues to review, evaluate, and reengineer, many of its business processes to make them more effective and efficient. In addition, UIA staff have worked and continue to work significant amounts of overtime to process the large quantity of backlogged work items. Further, UIA provided fact finding training to applicable UIA staff, developed a fact finding desk guide, and increased its monitoring of nonmonetary determination quality. However, continued work is necessary for UIA to consistently meet federal performance standards.

RECOMMENDATIONS

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.

We also recommend that UIA continue to improve the quality of its separation-related nonmonetary determinations.

AGENCY PRELIMINARY RESPONSE

UIA provided us with the following response:

The UIA agrees and will continue to take actions to consistently meet the federal performance standards. The UIA is currently meeting the standards for all core measures the UIA controls. For example, in the ETA Region 5 Quarterly Performance Report for the period January 1, 2015 through December 31, 2015, the UIA scored 87.6% for All First Payment Promptness and 80.6% for Nonmonetary Separation - Quality, surpassing the acceptable level of performance.

For the finding specific to lower authority appeals, this process and allocation of resources for same is not administered by the UIA. However, the UIA will continue to work with its partners to improve timeliness.

PROFILING AND REEMPLOYMENT SERVICES

BACKGROUND

As a condition of receiving federal UI grant funding, the federal Social Security Act, as amended by Public Law 103-152, requires all states to establish and maintain a system for profiling* new claimants for regular UI benefits and referring claimants for reemployment services* (Worker Profiling and Reemployment Services [WPRS] system). Profiling identifies claimants who are most likely to exhaust their UI benefits and need reemployment services to transition to new employment. Reemployment services include job search workshops, job clubs, counseling and testing, referrals to employers, and other similar services. The Social Security Act makes completion of reemployment services mandatory for identified claimants to maintain their eligibility for UI benefits.

AUDIT OBJECTIVE

To assess UIA's efforts to identify claimants likely to exhaust their UI benefits and refer them to appropriate reemployment services.

CONCLUSION

Moderately effective.

FACTORS IMPACTING CONCLUSION

- UIA routinely profiled claimants for regular UI benefits and, excluding a small number of claimants for whom it lacked a county of residence, appropriately referred applicable claimants for reemployment services.
- Reportable condition related to lack of periodically evaluating the WPRS system and updating of its profiling model.
- Reportable condition related to the non-referral of some mandatorily required claimants to reemployment services and insufficient action to ensure that referred claimants attended reemployment services.

* See glossary at end of report for definition.

FINDING #7

Evaluation of the WPRS system and review of the profiling model is needed.

UIA did not periodically evaluate whether its WPRS system effectively reduced program participants' length of unemployment and the amount of UI benefits paid. Also, UIA did not periodically review and update its profiling model to accurately identify the claimants who were most likely to exhaust their regular UI benefits before returning to work.

Federal and state studies have shown that states' WPRS systems varied significantly in their design and effectiveness and recommended that all states periodically evaluate the effectiveness of their programs. The studies also recommended that states periodically update their profiling models to reflect changes in their states' economy, such as the decline of industries or occupations and the availability of new administrative data. Although the studies identified that some states' WPRS systems had little or no impact on reducing the length of time that participants were unemployed, the most effective system evaluated reduced the duration of participants' unemployment by an average of 2.2 weeks compared with nonparticipating claimants with similar risk profiles. With approximately 18,600 profiled UIA claimants receiving reemployment services and an average weekly UI benefit payment totaling \$285 in 2014, annual savings to Michigan with an equally effective WPRS system would total over \$11.7 million. Also, significant financial benefits would accrue to the system participants through increased work-related wages.

UIA's profiling model not reviewed and updated since 2003.

UIA's profiling model, in use since 2003, calculates a claimant's probability for benefit exhaustion using a set of weighted variables, including a claimant's educational background, base period wages, prior unemployment experience, occupation at separating employer, and industry. Since its implementation, 19 (20.0%) of 95 industries in Michigan have experienced job increases or job reductions exceeding 25.0%.

In addition, with the implementation of MiDAS in October 2013, UIA now captures more comprehensive occupational and industry data than used in its profiling model. By adjusting its profiling model to account for these changes, UIA could improve the effectiveness of its profiling model and the overall effectiveness of the WPRS system.

UIA informed us that other priorities have precluded it from evaluating the effectiveness of its related profiling model.

RECOMMENDATIONS

We recommend that UIA periodically evaluate the effectiveness of its WPRS system.

We also recommend that UIA periodically review and update its profiling model.

**AGENCY
PRELIMINARY
RESPONSE**

UIA provided us with the following response:

As to the first recommendation, the UIA agrees to continue to use federally required reports to measure the efficiency of the WPRS program and the successor program, Reemployment Services and Eligibility Assessment (RESEA). ETA reports (ETA 9048 Profiling and Reemployment Services and ETA 9049 Profiling and Reemployment Services Outcomes) are created by the UIA and submitted to USDOL and are used by all stakeholders to measure program effectiveness.

Prior to the OAG's finding, the UIA and the Michigan Workforce Development Agency (MWDA) formed a team to monitor the progress of RESEA. The RESEA team was established for the purpose of increasing services to the customer, ensuring that all USDOL requirements are being met, and ensuring that unemployed workers are scheduled for and attend their RESEA appointments. UIA provides assistance to MWDA to ensure that reports are generated timely and guidelines are being met and provides feedback as to what is currently successful and what can be improved.

As to the second recommendation, the UIA agrees with the OAG recommendation. The UIA will seek to update its profiling model in 2016 and ensure that a periodic review is completed.

FINDING #8

Claimants were not consistently referred for reemployment services.

Action is needed to reduce claimants excused from reemployment services.

UIA did not consistently refer claimants who met UIA's mandatory reemployment service participation criteria to MWDA for reemployment services. Also, UIA did not take sufficient action to reduce the number of claimants that it excused, without consequence, from mandatory participation in reemployment services after missing their scheduled appointment. As a result of these conditions, some claimants may not have returned to work as soon as otherwise possible, resulting in lost wages to the claimants and increased costs to the UI program.

UIA Manual Section 6345WR(6) requires that, each week, UIA identify new claimants who are not job attached, received their first UI benefit payment within five weeks of their respective benefit year begin date, and met UIA's criteria for mandatory reemployment services. UIA is then responsible for referring identified claimants to MWDA for scheduling reemployment services, mailing notification of the scheduled appointments, and adjudicating nonattendance issues. We reviewed the application of these processes and noted:

- a. For claimants who did not identify their county of residence when applying for benefits, UIA inappropriately excluded the referral for reemployment services. For the 15-month period ended December 31, 2014, we identified 1,638 claimants whom UIA designated as meeting its initial criteria for mandatory reemployment services but whom UIA did not refer for services. We randomly selected and reviewed the case files of 10 claimants from each of the last 3 quarters of 2014 and noted that UIA did not refer 11 (36.7%) of the claimants to reemployment services because UIA did not have the claimants' county of residence recorded in MiDAS. Appropriate reasons existed for UIA to not refer the other 19 claimants.

The county information in MiDAS is used to identify the Michigan Works! Service Center located closest to each claimant's residence.

- b. UIA automatically excused a significant number of claimants from mandatory participation in reemployment services and determined that the claimants were "not ineligible" for UI benefits when the claimants missed their scheduled appointment and informed UIA that they did so because they did not receive the appointment notification.

Section 28(1)(e) of the Michigan Employment Security Act requires that claimants participate in reemployment services as a condition of UI benefit eligibility. For the 15-month period ended December 31, 2014, UIA

excused 1,819 claimants from mandatory participation in reemployment services because the claimants stated that they did not receive the appointment notifications. Although these claimants represented 7.2% of all the claimants scheduled for reemployment services during the period, UIA did not take action to determine why so many claimants did not receive the notifications or take other measures to better ensure that claimants receive the notifications.

For example, UIA could begin sending appointment notifications electronically to those claimants who designate electronic communication as their preferred method of communication with UIA. At the time of our audit, all notifications were mailed via the USPS. This change would have the added benefit of reducing UIA's printing and mailing costs. UIA could also begin to retain and review the appointment notifications that the USPS returns as undeliverable.

RECOMMENDATIONS

We recommend that UIA consistently refer claimants meeting UIA's mandatory reemployment service participation criteria to MWDA for reemployment services.

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.

AGENCY PRELIMINARY RESPONSE

UIA provided us with the following response:

As to the first recommendation, UIA agrees with the recommendation and has created and implemented a method to ensure that county selections occur for all eligible claimants, through both systematic change and staff review. The current process allows for the claimants to choose their appointment times after they have been notified to participate in re-employment services. In addition, UIA began notifying claimants by sending appointment notifications electronically to claimants who designated electronic communication as their preferred method of communication with UIA.

As to the second recommendation, the UIA disagrees with the basis for the recommendation. The UIA investigates inquiries as required by the Michigan Employment Security Act. The UIA does fact finding on the issue and issues a (re)determination with regard to the claimant not attending the appointment for reemployment services or an assertion that the notice was not received. The UIA believes it has proceeded to ensure that those claims were properly reviewed and action, if necessary, was taken.

SUPPLEMENTAL INFORMATION

SURVEY DESCRIPTION

With the assistance of UIA, we identified all claimants who applied for UI benefits during the period October 1, 2013 through November 30, 2014. The survey focused on UIA's claims processing timeliness, customer service, and the clarity and comprehensiveness of UIA's communications.

We e-mailed an online survey to 400 randomly selected claimants. Also, we mailed a survey to 100 randomly selected claimants who had not provided UIA with an e-mail address. We received a total of 106 responses, a response rate of 21.2%.

Following is a summary of the survey results that includes the number and percentage of responses received for each item. The total number of responses for each item may not agree with the total number of responses reported because respondents were instructed to answer only the questions that were applicable to them and one respondent gave multiple answers to one question.

UNEMPLOYMENT INSURANCE AGENCY
Talent Investment Agency
Department of Talent and Economic Development
Summary of Survey Responses - Customer Service

Number of e-mailed responses: 86

Number of mail responses: 20

1. How did you file your most recent unemployment insurance (UI) claim?

Answer Options	Response Percent	Response Count
In person at an Unemployment Insurance Agency (UIA) office	15%	16
By telephone	15%	16
Over the Internet	70%	73
By mail	0%	0
	<i>answered question</i>	105
	<i>skipped question</i>	1

2. Approximately how long did it take to receive assistance with filing your UI claim?

Answer Options	Response Percent	Response Count
I did not require assistance.	11%	2
I received services immediately.	17%	3
Less than 1 hour	28%	5
Between 1 and 2 hours	28%	5
Between 2 and 3 hours	0%	0
More than 3 hours	17%	3
	<i>answered question</i>	18
	<i>skipped question</i>	88

3. How many call attempts did it take to reach UIA's automated claims filing system?

Answer Options	Response Percent	Response Count
One or two attempts	30%	6
Three or four attempts	20%	4
Five or six attempts	20%	4
Seven or more attempts	30%	6
	<i>answered question</i>	20
	<i>skipped question</i>	86

4. If you were transferred for personal assistance with filing your UI claim, how long did it take to speak with a UIA employee?

Answer Options	Response Percent	Response Count
I spoke with a UIA employee immediately.	0%	0
Thirty minutes or less	30%	6
From 31 to 60 minutes	15%	3
More than 60 minutes	40%	8
I called back later.	5%	1
UIA took my telephone number and called me back.	10%	2
	<i>answered question</i>	20
	<i>skipped question</i>	86

5. Did UIA call you back within the time frame that UIA stated on the telephone?

Answer Options	Response Percent	Response Count
Yes	70%	7
No	30%	3
	<i>answered question</i>	10
	<i>skipped question</i>	96

6. Please rate your satisfaction with the clarity of the questions asked by UIA as part of the claims filing process.

Answer Options	Response Percent	Response Count
Very satisfied	16%	16
Satisfied	48%	49
Neither satisfied nor dissatisfied	20%	20
Not satisfied	8%	8
Very dissatisfied	9%	9
	<i>answered question</i>	102
	<i>skipped question</i>	4

7. Please rate your satisfaction with the timeliness with which UIA processed your claim for UI benefits.

Answer Options	Response Percent	Response Count
Very satisfied	22%	22
Satisfied	33%	34
Neither satisfied nor dissatisfied	21%	21
Not satisfied	12%	12
Very dissatisfied	13%	13
	<i>answered question</i>	102
	<i>skipped question</i>	4

8. For your most recent UI claim, were you eligible for UI benefits?

Answer Options	Response Percent	Response Count
Yes	84%	84
No	16%	17
	<i>answered question</i>	101
	<i>skipped question</i>	5

9. For your most recent UI claim, have you received any UI benefit payments yet?

Answer Options	Response Percent	Response Count
Yes	80%	67
No	20%	17
	<i>answered question</i>	84
	<i>skipped question</i>	22

10. How did you complete the biweekly certification(s) for your most recent UI claim?

Answer Options	Response Percent	Response Count
Over the Internet	64%	46
Via the telephone using UIA's Michigan Automated Response Voice	29%	21
Via the telephone with the assistance of a UIA employee	4%	2
In person at a UIA office	1%	1
Through the mail	1%	1
	<i>answered question</i>	71
	<i>skipped question</i>	37

11. Please rate your satisfaction with the clarity of the questions asked by UIA as part of the biweekly certification process.

Answer Options	Response Percent	Response Count
Very satisfied	23%	16
Satisfied	50%	35
Neither satisfied nor dissatisfied	17%	12
Not satisfied	9%	6
Very dissatisfied	1%	1
	<i>answered question</i>	70
	<i>skipped question</i>	36

12. Please rate your satisfaction with the timeliness with which UIA processed your biweekly certifications.

Answer Options	Response Percent	Response Count
Very satisfied	39%	27
Satisfied	44%	31
Neither satisfied nor dissatisfied	10%	7
Not satisfied	1%	1
Very dissatisfied	6%	4
	<i>answered question</i>	70
	<i>skipped question</i>	36

13. Please rate your satisfaction with the timeliness with which UIA issued a decision related to protests associated with your claim.

Answer Options	Response Percent	Response Count
Very satisfied	12%	12
Satisfied	18%	19
Neither satisfied nor dissatisfied	17%	18
Not satisfied	11%	11
Very dissatisfied	15%	15
Not applicable	27%	28
	<i>answered question</i>	103
	<i>skipped question</i>	3

14. Please rate your level of agreement with the following statement: UIA considered all relevant information when it issued its decision related to the protest of my claim.

Answer Options	Response Percent	Response Count
Strongly agree	16%	11
Agree	20%	14
Neither agree nor disagree	37%	26
Disagree	11%	8
Strongly disagree	16%	11
	<i>answered question</i>	70
	<i>skipped question</i>	36

15. Was the protest resolved in your favor?

Answer Options	Response Percent	Response Count
Yes	66%	44
No	34%	23
	<i>answered question</i>	67
	<i>skipped question</i>	39

16. Please rate your satisfaction with the timeliness with which appeals associated with your claim were heard and a decision rendered.

Answer Options	Response Percent	Response Count
Very satisfied	6%	4
Satisfied	17%	12
Neither satisfied nor dissatisfied	26%	18
Not satisfied	4%	3
Very dissatisfied	20%	14
Not applicable	26%	18
	<i>answered question</i>	69
	<i>skipped question</i>	37

17. Please rate your level of agreement with the following statement: I was provided with information that clearly defined my responsibilities regarding the appeal of my claim.

Answer Options	Response Percent	Response Count
Strongly agree	8%	4
Agree	46%	23
Neither agree nor disagree	20%	10
Disagree	16%	8
Strongly disagree	10%	5
	<i>answered question</i>	50
	<i>skipped question</i>	56

18. Was the appeal resolved in your favor?

Answer Options	Response Percent	Response Count
Yes	58%	28
No	42%	20
	<i>answered question</i>	48
	<i>skipped question</i>	58

19. Please rate your satisfaction with the clarity of the information available to you related to UIA's claims filing and biweekly certification requirements.

Answer Options	Response Percent	Response Count
Very satisfied	16%	16
Satisfied	46%	45
Neither satisfied nor dissatisfied	24%	24
Not satisfied	6%	6
Very dissatisfied	7%	7
	<i>answered question</i>	98
	<i>skipped question</i>	8

20. Please rate your satisfaction with the comprehensiveness of the information available to you regarding UIA's claims filing and biweekly certification requirements.

Answer Options	Response Percent	Response Count
Very satisfied	16%	16
Satisfied	39%	38
Neither satisfied nor dissatisfied	32%	31
Not satisfied	7%	7
Very dissatisfied	6%	6
	<i>answered question</i>	98
	<i>skipped question</i>	8

21. Please rate your satisfaction with the ease with which you were able to complete your UI claim-related responsibilities.

Answer Options	Response Percent	Response Count
Very satisfied	16%	16
Satisfied	50%	49
Neither satisfied nor dissatisfied	20%	20
Not satisfied	8%	8
Very dissatisfied	5%	5
	<i>answered question</i>	98
	<i>skipped question</i>	8

22. Please rate your satisfaction with the information provided to you regarding your rights and responsibilities as a UI claimant.

Answer Options	Response Percent	Response Count
Very satisfied	18%	17
Satisfied	49%	48
Neither satisfied nor dissatisfied	25%	24
Not satisfied	6%	6
Very dissatisfied	2%	2
	<i>answered question</i>	97
	<i>skipped question</i>	9

23. Please rate your satisfaction with the timeliness of UIA's responses to your claim-related questions and concerns.

Answer Options	Response Percent	Response Count
Very satisfied	12%	12
Satisfied	38%	37
Neither satisfied nor dissatisfied	16%	16
Not satisfied	7%	7
Very dissatisfied	11%	11
Not applicable	14%	14
	<i>answered question</i>	97
	<i>skipped question</i>	9

24. Please provide your opinion of UIA employees' knowledge of the UI-related information applicable to your claim.

Answer Options	Response Percent	Response Count
Very knowledgeable	23%	22
Knowledgeable	38%	36
Unknowledgeable	8%	8
Very unknowledgeable	5%	5
No basis for opinion	26%	25
	<i>answered question</i>	96
	<i>skipped question</i>	10

25. Were you selected to participate in the Profiling and Reemployment Services Program at Michigan Works!?

Answer Options	Response Percent	Response Count
Yes, and I participated in the program.	16%	16
Yes, but I did not participate in the program.	6%	6
No	77%	75
	<i>answered question</i>	97
	<i>skipped question</i>	9

26. Did you receive reemployment services that were specific to your individual needs?

Answer Options	Response Percent	Response Count
Yes	70%	14
No	30%	6
	<i>answered question</i>	20
	<i>skipped question</i>	86

27. Please rate your level of agreement with the following statement: The reemployment services that I received from Michigan Works! provided me with valuable skills that allowed me to return to work sooner than I otherwise would have.

Answer Options	Response Percent	Response Count
Strongly agree	6%	1
Agree	6%	1
Neither agree nor disagree	59%	10
Disagree	12%	2
Strongly disagree	18%	3
	<i>answered question</i>	17
	<i>skipped question</i>	89

AGENCY DESCRIPTION

The federal Social Security Act of 1935 created the UI program as a joint federal-state partnership, with each state responsible for designing its own program within broad federal guidelines. In response to this Act, UIA was originally created as the Michigan Employment Security Commission by the Michigan Employment Security Act of 1936, being Sections 421.1 - 421.75 of the *Michigan Compiled Laws*. Under Executive Order No. 2014-12, UIA was transferred from the Department of Licensing and Regulatory Affairs to the Talent Investment Agency, Department of Talent and Economic Development.

UIA helps jobless workers and their families by providing up to 20 weeks of regular UI benefits while they seek new employment.

For fiscal year 2014, UIA reported that it received 607,652 new claims and paid UI benefits totaling approximately \$1.1 billion to 370,980 unduplicated claimants. As of April 11, 2015, UIA had 640 permanent full-time employees and 95 limited-term employees. UIA's fiscal year 2014 administrative expenditures totaled approximately \$155.6 million.

AUDIT SCOPE, METHODOLOGY, AND OTHER INFORMATION

AUDIT SCOPE

To examine the program and other records of UIA related to claimant services. We conducted this performance audit* in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

PERIOD

Our audit procedures, which included a preliminary survey, audit fieldwork, report preparation, analysis of agency responses, and quality assurance, generally covered the period October 1, 2012 through September 30, 2015.

METHODOLOGY

We conducted a preliminary survey to gain an understanding of UIA's claimant services to establish our audit objectives and methodology. Our preliminary survey included:

- Interviews with various members of UIA management and staff.
- Review of applicable State and federal laws, appropriations acts, rules, regulations, policies, procedures, and manuals.
- Examination of reports from various internal and external audits and reviews of UIA and similar organizations.
- Analysis of management reports.
- Research to identify industry standards, best practices, and headline events.
- Analysis of UIA's internal control* related to eligibility determinations and UI benefit claims processing.
- Review of selected performance and quality data and statistics.

OBJECTIVE #1

To assess the clarity and comprehensiveness of UIA's communications with UI claimants.

* See glossary at end of report for definition.

To accomplish our first objective, we:

- Reviewed UIA's use of various best practices for communication included within USDOL's UI Claimant and Employer Message Toolkit.
- Identified best communication practices used by other states, i.e., Idaho, Kansas, Maine, Oregon, and Texas.
- Reviewed and analyzed UIA efforts to communicate with claimants and potential claimants on UIA's Web sites, publications, and selected forms.
- Analyzed client comment cards collected at UIA's problem resolution offices and UIA's use of claimant satisfaction surveys.
- Evaluated the clarity and comprehensiveness of the instructions given to claimants in the UI benefit application and certification processes.
- Reviewed the effectiveness of UIA's call center at answering and responding to claimant telephone calls.
- Evaluated the clarity and comprehensiveness of UIA's overall communications for 50 randomly selected claimants who applied for UI benefits between October 1, 2013 and November 30, 2014.
- Evaluated the clarity and comprehensiveness of UIA's intentional misrepresentation-related communications for 30 randomly selected claims with an intentional misrepresentation (re)determination issued from October 1, 2013 through March 31, 2015. The 30 claims contained a total of 60 intentional misrepresentation cases.
- Evaluated the clarity and comprehensiveness of UIA's communications related to 25 randomly selected appeals.
- Analyzed UIA's returned mail processing procedures.
- Sent a claimant satisfaction survey to 500 randomly selected claimants.
- Assessed whether UIA ensured that employers complied with claimant notification requirements.

OBJECTIVE #2

To assess UIA's efforts to ensure compliance with USDOL's quality and timeliness standards related to UI claims processing.

To accomplish our second objective, we:

- Analyzed the reports of UIA's consultants and reviewed UIA's implementation of the recommended process improvements included therein.
- Reviewed UIA's processes for monitoring the quality and timeliness of its claims processing functions and its processes for following up identified deficiencies.
- Evaluated the quality and timeliness of UIA's processing of 50 randomly selected claims, 30 randomly selected claims with intentional misrepresentation, and 30 randomly selected claims with appeals.
- Reviewed UIA's progress at reducing its backlogged work items.
- Analyzed UIA's performance over time relative to UI Performs performance standards.
- Evaluated the sufficiency of training provided to claims examiners.

OBJECTIVE #3

To assess UIA's efforts to identify claimants likely to exhaust their UI benefits and refer them to appropriate reemployment services.

To accomplish our third objective, we:

- Reviewed the history of how and when UIA established its profiling methodology.
- Interviewed UIA, MWDA, and USDOL's ETA employees to obtain an understanding of UIA's and MWDA's applicable processes and controls.
- Reviewed memorandums of understanding between UIA and MWDA.
- Reviewed policies, procedures, and other authoritative guidance.
- Identified claimants with an increased risk of exhausting their UI benefits before finding a job for the five quarters ended December 31, 2014 and determined if UIA referred the claimants to MWDA for reemployment services.
- Reviewed a random selection of 30 claimants not referred to reemployment services to determine if there was a valid reason for nonreferral.

- Determined if UIA appropriately sanctioned claimants who were referred to, but did not attend, reemployment services.

CONCLUSIONS

We base our conclusions on our audit efforts and the resulting material conditions and reportable conditions.

When selecting activities or programs for audit, we direct our efforts based on risk and opportunities to improve State government operations. Consequently, we prepare our performance audit reports on an exception basis.

AGENCY RESPONSES

Our audit report contains 8 findings and 13 corresponding recommendations. UIA's preliminary response indicates that it agrees with 12 recommendations and disagrees with 1 recommendation.

The agency preliminary response that follows each recommendation in our report was taken from the agency's written comments and oral discussion at the end of our audit fieldwork. Section 18.1462 of the *Michigan Compiled Laws* and the State of Michigan Financial Management Guide (Part VII, Chapter 4, Section 100) require an audited agency to develop a plan to comply with the recommendations and submit it within 60 days after release of the audit report to the Office of Internal Audit Services, State Budget Office. Within 30 days of receipt, the Office of Internal Audit Services is required to review the plan and either accept the plan as final or contact the agency to take additional steps to finalize the plan.

GLOSSARY OF ABBREVIATIONS AND TERMS

adjudicate	A process by which UIA reviews evidence to come to a decision that determines rights and obligations of the parties involved.
benefit year	The period of 52 consecutive calendar weeks beginning with the first week the claim was filed.
ETA	Employment and Training Administration.
intentional misrepresentation	An occasion when a person makes a false statement or representation knowing it to be false, or knowingly and willfully with intent to defraud fails to disclose a material fact, to obtain or increase a benefit or other payment.
internal control	The plan, policies, methods, and procedures adopted by management to meet its mission, goals, and objectives. Internal control includes the processes for planning, organizing, directing, and controlling program operations. It also includes the systems for measuring, reporting, and monitoring program performance. Internal control serves as a defense in safeguarding assets and in preventing and detecting errors; fraud; violations of laws, regulations, and provisions of contracts and grant agreements; or abuse.
material condition	A matter that, in the auditor's judgment, is more severe than a reportable condition and could impair the ability of management to operate a program in an effective and efficient manner and/or could adversely affect the judgment of an interested person concerning the effectiveness and efficiency of the program.
MiDAS	Michigan Integrated Data Automated System.
mission	The main purpose of a program or an entity or the reason that the program or the entity was established.
MiWAM	Michigan Web Account Manager.
MWDA	Michigan Workforce Development Agency.

nonmonetary determination	A decision made by an initial authority based on facts related to an issue detected that has the potential to affect a claimant's past, present, or future benefit rights and for which a determination of eligibility was made. Nonmonetary eligibility determination criteria include having a qualifying job separation reason, being able and available to work, seeking work, and registering for work with the State's workforce agency.
OAG	Office of the Auditor General.
performance audit	An audit that provides findings or conclusions based on an evaluation of sufficient, appropriate evidence against criteria. Performance audits provide objective analysis to assist management and those charged with governance and oversight in using the information to improve program performance and operations, reduce costs, facilitate decision making by parties with responsibility to oversee or initiate corrective action, and contribute to public accountability.
profiling	A system to identify and rank or score UI claimants by their potential for exhausting their benefits for referral to appropriate reemployment services.
reemployment services	Services including job search assistance and job placement services, such as counseling, testing, and providing occupational and labor market information, assessment, job search workshops, job clubs, and referrals to employers, and other similar services.
reportable condition	A matter that, in the auditor's judgment, is less severe than a material condition and falls within any of the following categories: an opportunity for improvement within the context of the audit objectives; a deficiency in internal control that is significant within the context of the audit objectives; all instances of fraud; illegal acts unless they are inconsequential within the context of the audit objectives; significant violations of provisions of contracts or grant agreements; and significant abuse that has occurred or is likely to have occurred.
RESEA	Reemployment Services and Eligibility Assessment.
social media	Forms of electronic communication, using Web sites and applications, through which users create and share content.
TIA	Talent Investment Agency.
UI	unemployment insurance.

UIA	Unemployment Insurance Agency.
USDOL	U.S. Department of Labor.
USPS	United States Postal Service.
WPRS	Worker Profiling and Reemployment Services.

