



GRETCHEN WHITMER  
GOVERNOR

STATE OF MICHIGAN  
DEPARTMENT OF LABOR AND ECONOMIC OPPORTUNITY  
LANSING

SUSAN CORBIN  
DIRECTOR

September 29, 2021

Mr. Rick Lowe, Chief Internal Auditor  
Office of Internal Audit Services  
State Budget Office  
George W. Romney Building  
111 S. Capitol Avenue, 6<sup>th</sup> Floor  
Lansing, Michigan 48913

Dear Mr. Lowe:

In accordance with State of Michigan, Financial Management Guide, Part VII, please see the attached summary of findings and associated corrective action plans to address recommendations contained in Andrews, Hoopers and Pavlik, PLC's (contract auditor) report on Unemployment Insurance Agency, Department of Labor and Economic Opportunity, Unemployment Compensation Fund (Report No. 000-0100-20U) covering the audit period October 1, 2018 through September 30, 2019.

Should you have any questions regarding the attached information, please contact me directly at (517) 231-1720 or at [WilliamsA6@michigan.gov](mailto:WilliamsA6@michigan.gov).

Respectfully,

*Allen Williams*

Allen Williams  
LEO Chief Internal Control Officer

cc: Audit Distribution List

Unemployment Compensation Fund  
Unemployment Insurance Agency  
Michigan Department of Labor & Economic Opportunity  
Audit Period: October 1, 2018 through September 30, 2019.  
Final Responses and Corrective Action Plans

AUDIT DISTRIBUTION LIST

JoAnne Huls, Executive Office Chief of Staff  
Doug Ringler, CPA, Michigan Auditor General  
Rep. Greg VanWoerkom, Chair, House Appropriations Subcommittee on General Government  
Sen. Ken Horn, Chair, Senate Appropriations Subcommittee on Labor & Economic Opportunity  
Sen. Mike Shirkey, Chair, Senate Government Operations Committee  
Rep. Beth Griffin, Chair, House Workforce, Trades and Talent Committee  
Rep. Mike Mueller, Chair, House Government Operations Committee  
Rep. Pauline Wendzel, Chair, House Commerce and Tourism Committee  
Christopher Harkins, Director, Senate Fiscal Agency  
Mary Ann Cleary, Director, House Fiscal Agency  
Liza Estlund Olson, Director, LEO Unemployment  
Kimberly Berry, Deputy Director, LEO Unemployment Insurance

Unemployment Compensation Fund  
Unemployment Insurance Agency  
Michigan Department of Labor & Economic Opportunity  
Summary of Agency Responses to Recommendations  
Audit Period: October 1, 2018 through September 30, 2019.

- I. Audit recommendations the agency complied with:  
Finding 2019-002 - Completed November 25, 2020.
  
- II. Audit recommendations the agency agrees with and will comply:  
Finding 2019-001 – Estimated date of compliance is September 30, 2021.  
Finding 2019-003 – Estimated date of compliance is September 30, 2021.
  
- III. Audit recommendations the agency disagrees with:  
*None.*

Unemployment Compensation Fund  
Unemployment Insurance Agency  
Michigan Department of Labor & Economic Opportunity  
Audit Period: October 1, 2018 through September 30, 2019.  
Final Responses and Corrective Action Plans

**FINDING 2019-001**

*Unapplied offset recoveries attributable to subsequent period adjustments to the original benefit overpayment were used to recover penalties and interest. Offsets of future unemployment compensation payments to recover prior overpayments are limited to the recovery of the prior overpayment amount in accordance with Federal guidance.*

**Recommendation**

We recommend that the agency add a parameter to the automated system to ensure adjustment to benefit offsets are only applied to the recovery of prior overpayment amounts.

**Final Response / Corrective Action Plan Update**

The Agency has submitted a service request to update the system logic for adjustments to benefit offsets to limit their application to only the recovery of benefit overpayments. Due to the pandemic and other high priority IT requests, this service request has been delayed.

Anticipated Completion Date: September 30, 2021.

**FINDING 2019-002**

*Certain information reported in the Contributions Operations report (ETA 581) did not agree to the Agency's automated system. The Agency is required to report quarterly using ETA 581, the volume of State Workforce Agency work, performance in determining the taxable status of employers, and other information pertinent to the overall effectiveness of the tax program.*

**Recommendation**

We recommend that the agency correct programming errors in the automated system to accurately collect certain employer information required for reporting in ETA 581. Once corrected, we recommend the Agency validate the information previously reported and, if necessary, resubmit reports requiring correction.

## **Final Response / Corrective Action Plan Update**

The ETA 581 Report was developed and tested during 2020 and all outstanding ETA 581 quarterly reports were submitted to the USDOL on November 25, 2020.

Completion Date: November 25, 2020.

### **FINDING 2019-003**

*Claimants may receive unemployment compensation benefits without proper submission of a record that a claimant sought work. In accordance with State law, the Agency requires claimants seek work with at least two employers each week, and submit a record of that work search, at least once a month, and provide detailed information about the weekly work search.*

### **Recommendation**

We recommend that the agency implement additional controls to ensure claimants are submitting records of their work search in accordance with State law. The Agency should continue to monitor further guidance from the Department of Labor clarifying work search verification requirements.

## **Final Response / Corrective Action Plan Update**

Due to the pandemic, the Agency has been unable to continue the collaboration with NASWA. Last conversations were in April 2020, prior to the statutory change related to the work search requirement. In addition, due to an Executive Order (No. 2020-24) and the state unemployment rate exceeding 8.5% (see Michigan Administrative Code, 421.16), the work search requirement for claimants has been waived since March 2020. Normally, the BAM audits would verify compliance with the work search requirement; however, UIA received a temporary suspension of audit activity from April 1, 2020 through June 30, 2020, to allow BAM staff to assist with backlogged claim filing during the pandemic. BAM audits resumed effective July 1, 2020; however, the work search requirement is currently still waived. As a result, there has not been an opportunity to assess the impact of the change in work search legislation.

Anticipated Completion Date: September 30, 2021.