



GRETCHEN WHITMER
GOVERNOR

STATE OF MICHIGAN
DEPARTMENT OF LABOR AND ECONOMIC OPPORTUNITY
LANSING

SUSAN CORBIN
DIRECTOR

February 2, 2022

Mr. Rick Lowe, Chief Internal Auditor
Office of Internal Audit Services
State Budget Office
George W. Romney Building
111 S. Capitol Avenue, 6th 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 the Michigan Office of the Auditor General's (OAG) *Audit of Establishing Unemployment Assistance Eligibility Criteria, Unemployment Insurance Agency, Michigan Department of Labor and Economic Opportunity*

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

Respectfully,

Allen Williams

Allen Williams
LEO Chief Internal Control Officer

c: Julia Dale

Establishing Pandemic Unemployment Assistance Eligibility Criteria
Unemployment Insurance Agency
Michigan Department of Labor & Economic Opportunity
Audit Period: January 1, 2020 through September 30, 2021

- I. Audit recommendations the agency has complied with:
Finding 1

- II. Audit recommendations the agency agrees with and will comply:
Finding 2 – Estimated date of compliance is August 31, 2022.

- III. Audit recommendations the agency disagrees with:
None.

Establishing Pandemic Unemployment Assistance Eligibility Criteria
Unemployment Insurance Agency
Michigan Department of Labor & Economic Opportunity
Audit Period: January 1, 2020 through September 30, 2021
Final Responses and Corrective Action Plans

FINDING 1

UIA did not have effective internal controls to successfully administer the PUA program in accordance with the CARES Act and USDOL guidance.

A variety of actions and inactions by UIA's senior leadership during the COVID-19 pandemic contributed to a poor control environment, often referred to as tone at the top. Those actions directly contributed to the creation of invalid PUA application and certification processes, and on several occasions, UIA's failure to timely and appropriately address issues pointed out by USDOL and UIA staff.

Recommendation

We recommend that UIA improve its internal control and maintain an effective tone at the top to support the proper administration of UI programs in accordance with federal laws and guidance.

Final Response / Corrective Action Plan Update

LEO and UIA have complied. During the past year, UIA has been pro-active in acquiring external expertise to support the management team, efficiently addressing the work backlogs, and addressing the fraud issues associated with the PUA program. With the assistance of consultants, UIA established a workload dashboard to track progress of processing claims. Consultants also assisted with extracting data to identify priority work. Through these mechanisms, UIA gained efficiencies in targeting and processing priority work.

LEO and UIA have made improvements documenting and maintaining records of key executive decisions to ensure better transparency and accountability. Key executive decisions related to UI program and system changes are being memorialized through an established clearance process which includes an approval document and/or documented service request. UIA is enforcing documentation for every single service request before the service request can be opened. This includes but is not limited to suggestions that arise from meetings. UIA is also requiring the business analyst to reach out to the requestor and division during testing to ensure the change accomplishes the intended goal and is correct, prior to moving to production. And lastly, UIA has been adding staff resources to its internal control functions.

To ensure that OAG are expeditiously granted access to confidential and sensitive UIA data, we will maintain data sharing agreement (DSA) templates which can be customized for the specific audit.

Anticipated Completion Date: Completed

FINDING 2

UIA established eligibility criteria in its PUA application and weekly benefit certifications not authorized in the CARES Act or other USDOL guidance. Consequently, UIA likely paid PUA and associated PUC and LWA program benefits to ineligible PUA claimants. Also, UIA continued to make improper eligibility determination and related overpayments 9 months after USDOL first notified Michigan of deficiencies with its PUA applications and weekly certifications.

Recommendation

We recommend going forward that UIA ensure eligibility criteria for UI benefits applications and certifications align with federal eligibility criteria.

Final Response / Corrective Action Plan Update

UIA has implemented corrective action and resolved eight of 11 findings identified in the January 2021 USDOL Enhanced Desk Monitoring Report.

UIA has implemented fraud notice acknowledgements, ran queries to identify claimants with various outstanding issues, conducted wage crossmatches, opened fact-finding where necessary and appropriate, added automated notes in the Michigan Integrated Data Automated System (MiDAS) as required, and corrected claims cases based on COVID eligible conditions.

Anticipated Completion Date: August 31, 2022