



OAG

Office of the Auditor General

Report Summary

Performance Audit Personnel Management Processes During the COVID-19 Pandemic Unemployment Insurance Agency (UIA) Department of Labor and Economic Opportunity (LEO)

**Report Number:
186-0310-21**

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In response to the COVID-19 pandemic, the federal Coronavirus Aid, Relief, and Economic Security (CARES) Act allowed states to suspend the federal requirement mandating UIA to use the merit basis for some personnel actions. This allowed UIA to engage temporary staff and rehire former employees and retirees on a noncompetitive basis to aid in processing unemployment insurance (UI) applications and claims. From March 2020 through June 2021, the UIA workforce increased from 754 to a monthly high of 4,410 in April 2021. UIA expended \$171.7 million through June 2021 for the additional staffing resources. During this period, UIA processed 5.2 million UI claims and paid over \$36.5 billion in UI benefits.

Audit Objective			Conclusion
Objective 1: To assess the sufficiency of selected UIA practices for worker onboarding and offboarding during the COVID-19 pandemic.			Not sufficient
Findings Related to This Audit Objective	Material Condition	Reportable Condition	Agency Preliminary Response
Regarding purchase orders (POs) for staffing services, LEO and UIA did not: <ul style="list-style-type: none"> • Sign one PO for \$8.3 million or sign another for \$5.6 million until 3 months after its effective date. • Timely reflect the type and quantity of the staffing agency workers, their hourly pay rates, and their job responsibilities. • Sufficiently address conflicts and ethics, laptop computer sanitization, and insurance requirements. • Ensure they could hold the staffing agency liable for fraud committed by its workers, which included a known \$3.8 million UI fraud (<u>Finding 1</u>). 	X		Agrees

Findings Related to This Audit Objective (Continued)	Material Condition	Reportable Condition	Agency Preliminary Response
Sixty-three (45.3%) of 139 departed workers we sampled continued to have access to the State of Michigan network and Michigan Integrated Data Automated System (MiDAS) to view and make unauthorized changes to claims for an average of 32.6 days after their departure. The continued access contributed to the \$3.8 million UI fraud the former worker committed in mid-2020 (Finding 2).	X		Agrees
<p>UIA did not:</p> <ul style="list-style-type: none"> • Timely execute data sharing agreements with 3 staffing agencies and 16 Michigan Works! Agencies (MWAs). • Ensure completion of confidentiality agreements by 2 staffing agencies and MWAs. We noted 8 (80.0%) of 10 selected MWA workers did not complete the confidentiality agreements until they had been working between 12 and 126 days. • Provide 29 (69.0%) of 42 selected staffing agency and MWA workers with required Social Security Administration (SSA) training and 28 (66.7%) with Department of Treasury and data governance training. UIA provided 12 (28.6%) workers with SSA and Department of Treasury trainings and 13 (31%) workers with data governance training between 15 and 165 days after they began working at UIA (Finding 3). 	X		Agrees
UIA did not ensure preemployment criminal history background checks were conducted on 5,508 staffing agency and MWA workers and did not inquire about the results of those voluntarily completed by contracted agencies. We identified 71 (42.0%) of 169 workers still employed with one or more misdemeanor and/or felony convictions for crimes such as embezzlement, illegal sale/use of financial transaction devices, false pretenses with intent to defraud, identity theft, and armed robbery (Finding 4).	X		Agrees
UIA's Center for Learning Development did not have documentation to support 8 (20.0%) of 40 selected new workers completed their initial training before starting their assigned job duties. We identified 21 (52.5%) workers who worked between 2 and 329 hours before completing their initial training (Finding 5).		X	Agrees
UIA provided some temporary workers with MiDAS functionality beyond their business needs, creating unnecessary risks to UIA's data and systems (Finding 6).		X	Agrees

Audit Objective		Conclusion	
Objective 2: To provide information on the administrative funding available to UIA during the COVID-19 pandemic and other relevant data.		Information provided	
Findings Related to This Audit Objective	Material Condition	Reportable Condition	Agency Preliminary Response
None reported.		Not applicable.	

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