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Report Summary

*Performance Audit
Claims Processing
During the COVID-19 Pandemic
Unemployment Insurance Agency (UIA)
Department of Labor and Economic
Opportunity*

**Report Number:
186-0319-21**

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To slow the spread of COVID-19 after the first confirmed cases in Michigan in March 2020, the Governor declared a state of emergency and issued a series of executive orders that placed restrictions on public gatherings. These orders temporarily closed schools, businesses, and other employers resulting in the largest spike in unemployment in Michigan history. The federal Coronavirus Aid, Relief, and Economic Security (CARES) Act created new federal unemployment compensation (UC) programs, including Pandemic Emergency Unemployment Compensation (PEUC), Pandemic Unemployment Assistance (PUA), and Pandemic Unemployment Compensation (PUC), increasing the weekly benefit amount (WBA) and expanding eligibility to claimants not otherwise eligible for unemployment benefits. From March 15, 2020 through June 30, 2022, UIA paid \$39.9 billion in UC claims from 5.8 million claims created for 3.48 million claimants.

This audit report is the fourth of a series of five audit reports on UIA claims processing during the COVID-19 pandemic.

Audit Objective			Conclusion
Objective 1: To assess the effectiveness of UIA's efforts to process unemployment insurance (UI) claims in accordance with selected State and federal requirements during the COVID-19 pandemic.			Not effective
Findings Related to This Audit Objective	Material Condition	Reportable Condition	Agency Preliminary Response
Although UIA made billions of dollars of fraudulent overpayments in various unemployment programs, it identified that only 28 PUA claims, totaling \$342,000, were the result of intentional misrepresentation by claimants (Finding 1).	X		Partially agrees
As a means of expediting payments to claimants at the onset of the COVID-19 pandemic, UIA temporarily reassigned its Investigations Division staff and removed many of its fraud detection and prevention controls, significantly diminishing its ability to ensure UI program integrity (Finding 2).	X		Agrees

Findings Related to This Audit Objective (Continued)	Material Condition	Reportable Condition	Agency Preliminary Response
UIA could not support the appropriateness of \$10.2 billion in PUA payments, mostly related to its inclusion of invalid eligibility criteria in the PUA application and lack of eligibility criteria in the weekly benefit certifications at the onset of the PUA program (Finding 3).	X		Agrees
UIA may have improperly granted an estimated \$1.7 billion in overpayment waivers but did not consider waivers for PUA claims totaling \$280.7 million which met the waiver criteria (Finding 4).	X		Partially agrees
UIA became aware of 314,000 PUA claimants without prior qualifying employment (prior attachment to the workforce). Although it paid at least \$3.3 billion in benefits to them, UIA did not take timely action to limit further overpayments or begin collection efforts (Finding 5).	X		Agrees
UIA changed its criteria for flagging benefit payments needing a manager review prior to release. This allowed high dollar and high-risk benefit payments without review, and some managers' reviews were ineffective because UIA did not provide adequate training and guidance (Finding 6).	X		Partially agrees
UIA did not ensure the Michigan Integrated Data Automated System (MiDAS) contained claimants' original PUA applications, which could impact future appeals or protests involving the claims (Finding 7).	X		Agrees
During much of the COVID-19 pandemic, UIA did not timely identify and follow up on situations in which claimants received UC benefits and earned wages during the same quarter. UIA may not be able to recoup improper benefits because of the delays in follow-up (Finding 8).	X		Partially agrees
UIA improperly waived the requirement for claimants in certain programs to certify they were able and available for full-time work (Finding 9).	X		Agrees
UIA programmed MiDAS to automatically approve an increased weekly benefit amount based on the claimant's self-attestation of earnings. However, it did not review the appropriateness of income documentation submitted by claimants with their initial PUA applications before approving the increase (Finding 10).		X	Agrees
UIA should have required claimants to seek work in November 2020; however, it did not do so until the benefit week ended June 5, 2021 (Finding 11).		X	Agrees
UIA did not consistently meet select federal claims processing performance standards (Finding 12).		X	Agrees

Observations Related to This Audit Objective	Material Condition	Reportable Condition	Agency Preliminary Response
<p>UIA could analyze its claims data to identify and follow-up with claimants receiving UC benefits whose separation reasons or COVID-19 related attestations could trigger its reasonable suspicion protocol (<u>Observation 1</u>).</p>	Not applicable for observations.		
<p>Establishing and monitoring metrics related to case and document processing for claims could help UIA ensure the timely processing of claims-related information and address longstanding deficiencies in meeting the U.S. Department of Labor's broader performance goals (<u>Observation 2</u>).</p>			

Audit Objective			Conclusion
Objective 2: To assess the effectiveness of UIA's communications with UI claimants during the COVID-19 pandemic.			Not effective
Findings Related to This Audit Objective	Material Condition	Reportable Condition	Agency Preliminary Response
See (<u>Finding 4</u>).	X		Partially agrees
<p>UIA was unable to respond or timely respond to claimants' communications throughout much of the COVID-19 pandemic. Also, some of UIA's written communications to claimants contained confusing wording or wording that appeared contradictory (<u>Finding 13</u>).</p>	X		Agrees
<p>UIA increased its staff assisting in its call center but did not ensure that it or its contractors sufficiently monitored the new and inexperienced staff to ensure a positive customer experience for its claimants (<u>Finding 14</u>).</p>		X	Agrees

Audit Objective			Conclusion
Objective 3: To compile and provide information on UI claims processed by 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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