

Report on Expenditures of Federal Awards

State of Michigan  
Department of Labor and Economic Opportunity  
Unemployment Insurance Agency –  
Unemployment Compensation Fund

*Year Ended September 30, 2025*

State of Michigan  
Department of Labor and Economic Opportunity  
Unemployment Insurance Agency –  
Unemployment Compensation Fund

Year Ended September 30, 2025

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Independent Auditor's Report on Internal Control Over Financial Reporting and on  
Compliance and Other Matters Based on an Audit of Financial Statements  
Performed in Accordance with *Government Auditing Standards*

State of Michigan  
Department of Labor and Economic Opportunity,  
Unemployment Insurance Agency,  
Office of the Auditor General and  
State Budget Office

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the State of Michigan, Department of Labor and Economic Opportunity, Unemployment Insurance Agency – Unemployment Compensation Fund (Fund), as of and for the year ended September 30, 2025, and the related notes to the financial statements, which collectively comprise the Fund's basic financial statements, and have issued our report thereon dated December 9, 2025.

**Report on Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the Fund's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Fund's internal control. Accordingly, we do not express an opinion on the effectiveness of the Fund's internal control.

*A deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We identified certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs as item 2025-001 that we consider to be a material weakness.

## **Report on Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Fund's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and questioned costs as items 2025-001, 2025-002, 2025-003, and 2025-004.

## **Fund's Response to Findings**

*Government Auditing Standards* requires the auditor to perform limited procedures on the Fund's response to the findings identified in our audit and described in the accompanying schedule of findings and questioned costs. The Fund's response was not subjected to the other auditing procedures applied in the audit of the financial statements, and accordingly, we express no opinion on the response.

## **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Andrews Hooper Pavlik PLC*

Bloomfield Hills, Michigan  
December 9, 2025

Independent Auditor's Report on Compliance for Each Major Federal Program; Report on Internal Control Over Compliance; and Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

State of Michigan  
Department of Labor and Economic Opportunity,  
Unemployment Insurance Agency,  
Office of the Auditor General and  
State Budget Office

**Report on Compliance for Each Major Federal Program**

***Qualified Opinion***

We have audited the Unemployment Compensation Fund (Fund) of the State of Michigan Department of Labor and Economic Opportunity, Unemployment Insurance Agency's compliance with the types of compliance requirements identified as subject to audit in the *OMB Compliance Supplement* that could have a direct and material effect on each of the Fund's major federal programs for the year ended September 30, 2025. The Fund's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

***Qualified Opinion on Unemployment Insurance Program***

In our opinion, except for the noncompliance described in the Basis for Qualified Opinion section of our report, the Fund complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on ALN 17.225 Unemployment Insurance for the year ended September 30, 2025.

***Basis for Qualified Opinion***

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and the audit requirements of Title 2 *U.S. Code of Federal Regulations Part 200; Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*. Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the Fund and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified opinion on compliance for the major federal program. Our audit does not provide a legal determination of the Fund's compliance with the compliance requirements referred to above.

#### *Matter Giving Rise to Qualified Opinion on Unemployment Insurance Program*

As described in the accompanying schedule of findings and questioned costs, the Fund did not comply with requirements regarding the Unemployment Insurance Program as described in finding number 2025-001 for Allowable Costs/Costs Principles and Eligibility. Compliance with such requirements is necessary in our opinion, for the Fund to comply with the requirements applicable to that program.

#### ***Responsibilities of Management for Compliance***

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statues, regulations, rules, and provisions of contracts and grant agreements applicable to the Fund's federal programs.

#### ***Auditor's Responsibilities for the Audit of Compliance***

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the Fund's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the Fund's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the Fund's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.

- Obtain an understanding of the Fund’s internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the Fund’s internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

### ***Other Matters***

The results of our auditing procedures disclosed other instances of noncompliance which are required to be reported in accordance with the Uniform Guidance and which are described in the accompanying schedule of findings and questioned costs as items 2025-002, 2025-003, and 2025-004. Our opinion on the major federal program is not modified with respect to these matters.

*Government Auditing Standards* requires the auditor to perform limited procedures on the Fund’s response to the noncompliance findings identified in our compliance audit described in the accompanying schedule of findings and questioned costs. The Fund’s response was not subjected to the other auditing procedures applied in the audit of compliance, and accordingly, we express no opinion on the response.

### **Report on Internal Control Over Compliance**

Our consideration of internal control over compliance was for the limited purpose described in the Auditor’s Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we did identify certain deficiencies in internal control over compliance that we consider to be a material weakness.

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal controls over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 2025-001 to be a material weakness.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

*Government Auditing Standards* requires the auditor to perform limited procedures on the Fund's response to the internal control over compliance findings identified in our compliance audit described in the accompanying schedule of findings and questioned costs. The Fund's response was not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

### **Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance**

We have audited the financial statements of the Fund as of and for the year ended September 30, 2025 and have issued our report thereon dated December 9, 2025, which contained an unmodified opinion on those financial statements. Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the Uniform Guidance and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the financial statements as a whole.

*Andrews Hooper Paulik PLC*

Bloomfield Hills, Michigan  
February 23, 2026

State of Michigan  
 Department of Labor and Economic Opportunity  
 Unemployment Insurance Agency –  
 Unemployment Compensation Fund

Schedule of Expenditures of Federal Awards

Year Ended September 30, 2025

Federal Agency / Program Title	Assistance Listing Number	Grant Number	Total Federal Expenditures
<b>Department of Labor – Employment and Training Administration:</b>			
Unemployment Insurance – State of Michigan / Employer Funded	17.225	NONE	\$ 989,402,883
Alternative Trade Adjustment Assistance / Trade Benefits	17.225	UI392762355A26	2,876
COVID-19 Unemployment Insurance – Extended Benefits	17.225	NONE	(456,331)
Unemployment Insurance – Other Federal Funds	17.225	NONE	2,642,677
Unemployment Insurance – American Recovery and Reinvestment Act	17.225	NONE	(143,089)
COVID-19 – Unemployment Insurance – Short-Term Compensation	17.225	UI34863CJ0	(1,202)
COVID-19 – Unemployment Insurance – Other Federal Funds	17.225	NONE	<u>11,607,476</u>
<b>Total Department of Labor – Employment and Training Administration</b>			<u>1,003,055,290</u>
<b>Federal Emergency Management Agency (FEMA):</b>			
Unemployment Insurance – Disaster Unemployment Insurance	97.034	UD000029UQ0	60,907
COVID-19 – Lost Wages Assistance	97.050	4494DRMISPLW	<u>(109,624)</u>
<b>Total Federal Emergency Management Agency (FEMA)</b>			<u>(48,717)</u>
<b>Total Federal Financial Assistance</b>			<u><u>\$ 1,003,006,573</u></u>

*See accompanying notes to schedule of expenditures of federal awards.*

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Notes to Schedule of Expenditures of Federal Awards

Year Ended September 30, 2025

**(1) General**

The accompanying Schedule of Expenditures of Federal Awards (SEFA) presents the activity of federal financial assistance programs of the Unemployment Compensation Fund (Fund) of the State of Michigan Department of Labor and Economic Opportunity, Unemployment Insurance Agency. The operations of the Fund are recorded as described in Note 1 of the Fund's financial statements.

**(2) Basis of Accounting**

The accompanying SEFA is presented using the accrual basis of accounting.

**(3) Indirect Cost Rate**

The Fund has elected not to use the 15% de minimis indirect cost rate as allowed under the Uniform Guidance.

State of Michigan  
Department of Labor and Economic Opportunity  
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Schedule of Findings and Questioned Costs

Year Ended September 30, 2025

**Section I – Summary of Auditor’s Results**

*Financial Statements*

- (a) The type of report issued on the financial statements: **Unmodified Opinion**
- (b) Internal control over financial reporting:
  - i. Material weaknesses identified? **Yes**
  - ii. Significant deficiencies identified that are not considered material weaknesses? **No**
- (c) Noncompliance material to financial statements noted? **No**

*Federal Awards*

- (a) Internal control over compliance for major programs:
  - i. Material weaknesses identified? **Yes**
  - ii. Significant deficiencies identified that are not considered material weaknesses? **No**
- (b) The type of report issued on compliance for major programs: **Unemployment Insurance/17.225 – Qualified Opinion**
- (c) Any audit findings which are required to be reported under 2 CFR 200.516(a)? **Yes**
- (d) Major programs: **Unemployment Insurance/17.225**
- (e) Dollar threshold used to distinguish between Type A and Type B programs: **\$3,000,000**
- (f) Auditee qualified as a low-risk auditee under 2 CFR 200.520? **No**

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Schedule of Findings and Questioned Costs

Year Ended September 30, 2025

**Section II – Findings Relating to the Financial Statements Reported in Accordance with Government Auditing Standards**

Finding 2025-001 is also considered a financial statement finding.

**Section III – Findings and Questioned Costs Relating to Federal Awards**

**Finding 2025-001**

**Federal Agency, Program Title and ALN Number:** U.S. Department of Labor, Unemployment Insurance – 17.225

**Federal Award Identification Number and Year:** Affects all grant awards included under ALN 17.225 on the Schedule of Expenditures of Federal Awards

**Type of Finding:** Material Noncompliance and Material Weakness

**Compliance Requirement:** Allowable Costs/Cost Principles and Eligibility

**Known Questioned Costs:** Undeterminable

**Repeat Finding:** 2024-001

**Systemic or Isolated:** Systemic

**Criteria:** The federal government set a prescribed claim progression and eligibility requirements for federal programs resulting from the Coronavirus pandemic. If a claimant is eligible for regular unemployment compensation, the claimant is ineligible for receiving benefits under the Pandemic Unemployment Assistance (PUA), Pandemic Emergency Unemployment Compensation (PEUC), or Extended Benefits (EB) programs. In addition, claimants must exhaust all rights to benefits under the previous claim type within the progression to become eligible for the subsequent claim type.

**Condition:** In certain instances, the benefit system allowed for the payment of benefits under the PUA, PEUC, and EB programs when claimants were eligible for regular unemployment compensation or prior to the exhaustion of the previous claim type within the progression.

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Schedule of Findings and Questioned Costs

Year Ended September 30, 2025

**Cause:** Proper controls were not set within the benefit system to ensure proper eligibility and claim progression.

**Effect:** Payments of benefits under federal programs have no net effect on the net position of the Fund since the expenditure is offset by a reimbursing federal revenue, whereas payments under regular unemployment compensation reduce the net position of the Fund. Additionally, improper payments of benefits under federal programs create unallowed federal costs.

**Recommendation:** We recommend that the Agency improve controls in the benefit system to ensure proper eligibility and claim progression.

**Views of Responsible Officials:** Management agrees with the finding. This issue was also raised by the U.S. Department of Labor (DOL), Employment and Training Administration (ETA) in an enhanced desk monitoring review titled *The State of Michigan's Pandemic Unemployment Assistance (PUA) and Federal Pandemic Unemployment Compensation (FPUC) programs*. Based on correspondence with U.S. DOL, these findings were deemed resolved with no further action required due to the significant administrative burden involved in correcting the payment sequencing. All claimants were paid the proper benefits, but the federal program charged was incorrect in some instances.

Regarding improvements to the controls to prevent a future issue such as this, along with plans to dedicate sufficient resources to timely audit new programs for compliance, the Agency has revised its process for prioritizing and completing necessary system updates. Effective May 2023, Agency Services implemented an SQR prioritization process for the Agency. When an SQR is opened, it is the responsibility of the applicable division to ensure the request is added to their division priority list and given a priority score (from one to five with one as the highest priority). Meetings are held monthly between Agency Services and division representatives to discuss and review the status of each SQR until the change is migrated to production.

**Finding 2025-002**

**Federal Agency, Program Title and ALN Number:** U.S. Department of Labor, Unemployment Insurance – 17.225

**Federal Award Identification Number and Year:** Various

**Type of Finding:** Material Noncompliance

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Schedule of Findings and Questioned Costs

Year Ended September 30, 2025

***Compliance Requirement:*** Special Tests and Provisions, UI Program Integrity - Overpayments

***Known Questioned Costs:*** None

***Repeat Finding:*** 2024-002

***Systemic or Isolated:*** Systematic

***Criteria:*** States are prohibited from providing relief from charges to an employer's unemployment compensation account when the benefit overpayments are the result of the employer's failure to respond timely or adequately to a request for information.

***Condition:*** The Agency elected to relieve charges to an employer's unemployment compensation account when the benefit payment was the result of the employer's failure to respond timely or adequately due to the Covid-19 Pandemic causing unforeseen difficulties for employers within the State.

***Cause:*** The Agency implemented an SQR to credit the charges that would have typically been charged to the nonresponsive employer's unemployment compensation account during the Covid-19 Pandemic. However, there was an error in the logic of the SQR and certain employers did not have their charges associated with Covid-19 claims relieved.

***Effect:*** Certain nonresponsive employers incorrectly had their unemployment compensation account charged for benefits during the Covid-19 Pandemic. The Agency's policy to provide relief for employers during the Pandemic was not applied consistently to each employer.

***Recommendation:*** We recommend that the Agency review the logic of the SQR that was implemented to credit the charges that would have typically been charged to the nonresponsive employer's unemployment compensation account during the Covid-19 Pandemic and review the benefits that were charged to employer accounts throughout the Covid-19 Pandemic to determine which employers were erroneously charged.

***Views of Responsible Officials:*** Management agrees with the finding. Management's analysis included reviewing benefit charges on the employer account, which showed credit has been applied when appropriate to do so. A SQR was created to research the matter. The SQR found there were nonmonetary cases which were omitted, but their omission was correct because the specific cases cited were not labeled as nonresponsive in our database. In certain instances,

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Unemployment Compensation Fund

Schedule of Findings and Questioned Costs

Year Ended September 30, 2025

identified by the auditor, the entity first charged for the benefits was the nonchargeable benefit account (NBA) and not the employer's account. It would be incorrect to give the employer credit when they were not charged for the benefits. In other situations where the employer was adversely impacted by subsequent adjudication, the review showed the credit is associated with restitution becoming active. Due to the collection pause, restitution in certain situations did not become active in the system. As a result, credit had not been applied. When the collection pause was lifted on September 12, 2025, system generated processes resumed. Previously, halted benefit overpayment collection cases moved to an active status based upon UIA's updated effective dates, allowing credits to be applied to employer account or NBA as appropriate.

**Finding 2025-003**

**Federal Agency, Program Title and ALN Number:** U.S. Department of Labor, Unemployment Insurance – 17.225

**Federal Award Identification Number and Year:** Affects all grant awards included under ALN 17.225 on the Schedule of Expenditures of Federal Awards

**Type of Finding:** Material Noncompliance

**Compliance Requirement:** Special Tests and Provisions, UI Program Integrity – Overpayments

**Known Questioned Costs:** None

**Repeat Finding:** 2023-003

**Systemic or Isolated:** Systemic

**Criteria:** 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.

**Condition:** Unapplied offset recoveries attributable to subsequent period adjustments to the original benefit overpayment were used to recover penalties and interest.

**Cause:** Due to the continual movement of monies as a result of changes in amounts due resulting from corrections or appeal decisions, a parameter has not been established in the benefit system to account for every possible scenario to prevent the allocation of unapplied recoveries to penalties and interest after overpayment amounts due were satisfied.

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Schedule of Findings and Questioned Costs

Year Ended September 30, 2025

**Effect:** Interest and penalties due under federal and state law were recovered from offsets of unemployment compensation payments.

**Recommendation:** We recommend that the Agency add a parameter to the automated system to ensure adjustments to benefit offsets are only applied to the recovery of prior overpayment amounts.

**Views of Responsible Officials:** Management agrees with the finding. The necessary parameter was previously implemented that prevented the inappropriate allocations on current and subsequent benefit payment recoveries; however, subsequent reallocations of monies under specific circumstance caused prior recoupments to improperly reallocate. The Trust Fund Accounting section will perform a monthly review to confirm that no prior period adjustments reallocated recoupments to penalty and interest. The review to date has determined that the adjustment amounts are immaterial. An automated solution does not appear obtainable in the current system. The Agency is in the process of implementing a new automated system (MiUI) and will ensure these adjustments are programmed correctly. MiUI is projected to go live by September 2026.

**Finding 2025-004**

**Federal Agency, Program Title and ALN Number:** U.S. Department of Labor, Unemployment Insurance – 17.225

**Federal Award Identification Number and Year:** Affects all grant awards included under ALN 17.225 on the Schedule of Expenditures of Federal Awards

**Type of Finding:** Material Noncompliance

**Compliance Requirement:** Special Tests and Provisions, Employer Experience Rating

**Known Questioned Costs:** None

**Repeat Finding:** No

**Systemic or Isolated:** Systemic

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Department of Labor and Economic Opportunity  
Unemployment Insurance Agency –  
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Schedule of Findings and Questioned Costs

Year Ended September 30, 2025

**Criteria:** The State of Michigan maintains subsidiary ledgers for employers to track benefit charges to calculate an employer's annual experience rate, which determines the tax employers will owe.

**Condition:** In multiple instances, we noted system issues within MiDAS that allowed benefit charges to be posted to an employer's NBA (non-chargeable benefit account), when charges should have been posted as a benefit charge associated with the employer.

**Cause:** This resulted from programming issues within MiDAS, where a prior matter associated with the claimant resulted in benefit charges being recorded to the employer's NBA account. The prior matter ceased to exist and MiDAS was unable to identify that the prior matter was not relevant and benefits should have been charged to the employer's benefit account.

**Effect:** When benefit charges are posted to an employer's NBA account, it leads to an inaccurate calculation of the employer's experience rate due to benefit charges associated with the employer being under recorded. Applying benefit charges to an employer's NBA account inaccurately could result in the employer paying less in taxes.

**Recommendation:** We recommend that the Agency adjust the charging for instances that are identified and review controls associated with employer charging during the transition to MiUI, which will replace MiDAS in the year ending September 30, 2026.

**Views of Responsible Officials:** Management agrees with the finding. On December 9, 2024, Benefits-Operations Division submitted a request to have the current system (MiDAS) updated to automatically and correctly end the NBA benefit adjustment in situations where the wages involved in the disqualifying separation are no longer being used to establish monetary entitlement and the employer is chargeable on a new claim. Future chargeability should be connected to a new separation. The request is currently pending due to the development of MiUI, which is projected to go live by September 2026.

In the interim, two specific claims identified in the audit were referred to technical assistance to process the ending of the NBA adjustment manually.

Additionally, MiUI is being programmed to include the charging rules for this specific situation identified.



GRETCHEN WHITMER  
GOVERNOR

STATE OF MICHIGAN  
DEPARTMENT OF LABOR AND ECONOMIC OPPORTUNITY  
LANSING

SUSAN CORBIN  
DIRECTOR

## **Single Audit Report: Corrective Action Plan**

**Year Ended September 30, 2025**

### **Finding 2025-001**

**Grant Program/ALN #:** Unemployment Insurance/17.225

**Corrective Action Plan:** Based on the U.S. DOL closing the finding and not requiring the correction of payment sequencing, the Agency will not be allocating the resources correcting the payment sequencing within our current system, MiDAS. Resources are limited due to the ongoing implementation of the new, improved, and more flexible UI system. The new system's flexibility will allow UIA the ability to make corrections such as this expeditiously and economically.

**Position of Responsible Official:** Kristine Kratz, Benefits - Operations Division Administrator

**Anticipated Completion Date:** September 30, 2026

### **Finding 2025-002**

**Grant Program/ALN #:** Unemployment Insurance/17.225

**Corrective Action Plan:** The Agency lifted the collection pause on September 12, 2025. A review of a sample of affected cases confirmed that pending actions, such as credit application, were resolved when normal collection related transactions resumed.

**Position of Responsible Official:** Kristine Kratz, Benefits - Operations Division Administrator

**Anticipated Completion Date:** September 30, 2026

### **Finding 2025-003**

***Grant Program/ALN #:*** Unemployment Insurance/17.225

***Corrective Action Plan:*** The necessary parameter was previously implemented that prevented the inappropriate allocations on current and subsequent benefit payment recoveries; however, subsequent reallocations of monies under specific circumstance caused further recoupments to improperly reallocate. The Trust Fund Accounting section will perform a monthly review to confirm that no prior period adjustments reallocated recoupments to penalty and interest. An automated solution does not appear obtainable in the current system. The Agency is in the process of implementing a new automated system (MiUI) and will ensure these adjustments are programmed correctly. MiUI is projected to go live by September 2026.

***Position of Responsible Official:*** Debbie Ciccone, Finance & Analysis Division Administrator

***Anticipated Completion Date:*** September 30, 2026

### **Finding 2025-004**

***Grant Program/ALN #:*** Unemployment Insurance/17.225

***Corrective Action Plan:*** Benefits Operations, in coordination with technical assistance from Agency Services, will continue to refer isolated, individual instances of incorrect charging related to a past NBA adjustment impacting a new claim with new employment/separation. The technical request will be prioritized and if a solution is viable, it will be implemented in MIDAS. The charging rules for this specific scenario are incorporated into the system development documentation for MIUI, the Agency's new benefits system, ensuring the issue will be fully resolved upon implementation of MIUI.

***Position of Responsible Official:*** Kristine Kratz, Benefits - Operations Division Administrator

***Anticipated Completion Date:*** September 30, 2026, MIUI implementation is expected to be completed by September 2026. Prior to the conversion to MiUI, any instances identified will be reviewed and adjusted in MiDAS.

LEO is an equal opportunity employer/program.

Auxiliary aids, services and other reasonable accommodations are available upon request to individuals with disabilities.  
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LANSING

SUSAN CORBIN  
DIRECTOR

## Summary Schedule of Prior Audit Findings

### Finding 2024-001

**Grant Program/ALN #:** Unemployment Insurance/17.225

**Initial Year Written:** Fiscal Year 2020

**Condition:** In certain instances, the benefit system allowed for the payment of benefits under the PUA, PEUC, and EB programs when claimants were eligible for regular unemployment compensation or prior to the exhaustion of the previous claim type within the progression.

**Recommendation:** The auditor recommended that the Agency improve controls in the benefit system to ensure proper eligibility and claim progression.

**Current Status:** The U.S. Department of Labor closed the finding and is not requiring the correction of payment sequencing. Thus, the Agency will not be allocating the resources to correct the payment sequencing within our current system, MiDAS. Resources are limited due to the ongoing implementation of the new, improved, and more flexible UI system. Finding 2024-001 will repeat as material noncompliance until PUA, PEUC, and EB expenditures are no longer significant.

**Reason(s) For Recurrence:** The U.S. Department of Labor closed the finding and is not requiring the correction of payment sequencing.

**Corrective Action:** No further action required.

### Finding 2024-002

**Grant Program/ALN #:** Unemployment Insurance/17.225

**Initial Year Written:** Fiscal Year 2021

**Condition:** The Agency elected to relieve charges to an employer's unemployment compensation account when the benefit payment was the result of the employer's failure to respond timely or adequately due to the Covid-19 Pandemic causing unforeseen difficulties for employers within the State.

**Recommendation:** We recommend that the Agency review the logic of the SQR that was implemented to credit the charges that would have typically been charged to the nonresponsive employer's unemployment compensation account during the Covid-19 Pandemic and review the benefits that were charged to employer accounts throughout the Covid-19 Pandemic to determine which employers were erroneously charged.

**Current Status:** The Agency did not correct all the deficiencies noted in the finding.

**Reason(s) For Recurrence:** The Agency required additional time to implement the necessary programming changes.

**Corrective Action:** The Agency lifted the collection pause on September 12, 2025. A review of a sample of affected cases confirmed that pending actions, such as credit application, were resolved when normal collection related transactions resumed.

### **Finding 2024-003**

**Grant Program/ALN #:** Unemployment Insurance/17.225

**Initial Year Written:** Fiscal Year 2017

**Condition:** Unapplied offset recoveries attributable to subsequent period adjustments to the original benefit overpayment were used to recover penalties and interest.

**Recommendation:** The auditor recommended that the Agency add a parameter to the automated system to ensure adjustments to benefit offsets are only applied to the recovery of prior overpayment amounts.

**Current Status:** The Agency did not correct all the deficiencies noted in the finding.

**Reason(s) For Recurrence:** UIA has previously addressed this issue via programming changes to prevent inappropriate allocations. However, subsequent unanticipated reallocations of monies under specific circumstances caused subsequent recoupments to improperly reallocate. An automated solution does not appear obtainable in the current system.

**Corrective Action:** The Agency has assessed these inappropriate allocations and has deemed the aggregate amount to be minor. The Agency is in the process of implementing a new automated system (MiUI) and will ensure these adjustments are programmed correctly. MiUI is projected to go live by September 2026.