



UNEMPLOYMENT INSURANCE (UI) PROGRAM

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Report Highlights



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PURPOSE

Evaluate the UI Program's procedures for ensuring that only eligible individuals receive benefits, making timely benefits payments, recovering overpayments, and providing customer service to claimants.

BACKGROUND

- The UI Program aims to stabilize the economy by providing benefits to workers who lose employment through no fault of their own.
- Benefits payments are funded through premiums paid by Colorado employers.
- During Calendar Year 2010, the program paid about \$2.4 billion in benefits compared to \$298 million in Calendar Year 2006.
- Claims volume increased 190 percent from January 2007 to March 2009 and remains above historical levels.
- About 80 percent of the UI Program's administrative costs are paid by federal funding, with the remainder paid through state cash funds.

OUR RECOMMENDATIONS

The Department of Labor and Employment should:

- Ensure that claimants provide valid identification and attest to their lawful presence in the United States in compliance with House Bill 06S-1023's requirements.
- Increase the information it collects online, such as establishing an online system for employers to provide claims information and requiring more work search information from claimants.
- Reallocate additional staff to identify and recover overpayments.
- Increase the number of staff available to answer claimant phone calls.
- Evaluate whether UI eligibility should be based on only the claimant's most recent employer.

The Department generally agreed with these recommendations.

EVALUATION CONCERN

The UI Program has made a significant amount of overpayments in recent years. In addition, while staffing levels and information system limitations have made it difficult for the UI Program to keep up with increased workload and meet federal performance standards, opportunities exist for the UI Program to increase efficiency by eliminating labor-intensive processes and reallocating staff.

KEY FACTS AND FINDINGS

- The UI Program does not have adequate controls in place to verify that claimants are legally present in the United States, as required by House Bill 06S-1023. We estimate that the program paid \$60 million during Calendar Year 2010 to claimants who did not meet House Bill 06S-1023's identification requirements.
- In Calendar Year 2010, the UI Program paid an estimated \$169 million in overpayments (benefits for which people were not eligible), which represents 19 percent of all state benefits payments. Almost half of these overpayments, \$83 million, resulted from claimants reporting that they had searched for work when they had not or could not provide proof of these searches.
- Sixteen percent of the Department of Labor and Employment's (the Department) 239 nonmanagement full-time-equivalent (FTE) staff could be reallocated to more efficient functions if the Department reduces the use of paper forms, requires most claimants to apply online, further automates claims processing, and pursues statutory changes to simplify eligibility determination.
- The UI Program did not meet any federal performance standards for making timely payments, evaluating claimants' eligibility, and identifying overpayments during Calendar Years 2009 and 2010. The program did not meet most of the standards in Calendar Years 2006 through 2008.
- Claimants have had great difficulty reaching the UI Program's customer call center, usually receiving a busy signal, being directed to a self-service menu with no option to speak with an agent, or experiencing hold times of more than an hour when they do get through to the center.

FINANCIAL BENEFITS

Based on a statistical sample, we determined that the UI Program paid about \$60 million, or about 3 percent of the \$2.4 billion in state and extended UI benefits paid in Calendar Year 2010, to claimants who did not or could not meet House Bill 06S-1023's identification requirements and, therefore, should not have received benefits.