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DEPARTMENT OF LABOR AND EMPLOYMENT
OFFICE OF THE EXECUTIVE DIRECTOR

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June 25, 2012

Dianne E. Ray, CPA
State Auditor
Colorado Office of the State Auditor
200 East 14th Avenue, 2nd Floor
Denver, CO 80203

Dear Ms. Ray:

In response to your request, we have prepared an updated status report regarding the implementation of audit recommendations contained in the Unemployment Insurance Program Audit. The attached report provides a brief explanation of the actions taken by the Department of Labor and Employment in response to each of the Audit recommendations.

In addition to the updated status report, you also asked whether the UI Division's new Employer Self Service Module (ESS) will allow an employer to view a list of former employees who are currently receiving unemployment benefits based on their previous work with the employer. We will have an appeal function in the employer application. A list of former employees will be available but only if the ex-employee appeals a decision. This is scheduled to be in place in May 2013.

I look forward to the opportunity to present this update to the Legislative Audit Committee on July 16. In the meantime, if you have any questions, please do not hesitate to contact me at (303) 318-8017, or by email at egolombek@state.co.us.

Sincerely,

Ellen Golombek
Executive Director
Colorado Department of Labor and Employment

AUDIT RECOMMENDATION STATUS REPORT

AUDIT NAME: Unemployment Insurance Program

AUDIT NUMBER: 2140

DEPARTMENT/AGENCY/ENTITY: Department of Labor and Employment

DATE: June 29, 2012

SUMMARY INFORMATION

Please complete the table below with summary information for all audit recommendations. For multi-part recommendations, list each part of the recommendation SEPARATELY. (For example, if Recommendation 1 has three parts, list each part separately in the table.)

Recommendation Number <i>(e.g., 1a, 1b, 2, etc.)</i>	Agency's Response <i>(i.e., agree, partially agree, disagree)</i>	Original Implementation Date <i>(as listed in the audit report)</i>	Implementation Status <i>(Implemented, Implemented and Ongoing, Partially Implemented, Not Implemented, or No Longer Applicable)</i>	Revised Implementation Date <i>(Complete only if agency is revising the original implementation date.)</i>
			Please refer to the attached sheet for definitions of each implementation status option.	
1a	Agree	December 2011	Implemented	
1b	Agree	December 2011	Implemented	
1c	Partially agree	December 2011	Not Implemented	January 2016
2a	Agree	December 2012	Partially Implemented	
2b	Agree	December 2012	Implemented and ongoing	
3a	Partially agree	December 2011	Implemented	
3b	Agree	June 2012	Implemented	
3c	Partially agree	December 2011	Implemented	
3d	Partially agree	December 2012	Partially Implemented	
4a	Partially agree	September 2012	Partially Implemented	

Recommendation Number <i>(e.g., 1a, 1b, 2, etc.)</i>	Agency's Response <i>(i.e., agree, partially agree, disagree)</i>	Original Implementation Date <i>(as listed in the audit report)</i>	Implementation Status <i>(Implemented, Implemented and Ongoing, Partially Implemented, Not Implemented, or No Longer Applicable)</i> Please refer to the attached sheet for definitions of each implementation status option.	Revised Implementation Date <i>(Complete only if agency is revising the original implementation date.)</i>
4b	Partially agree	July 2013	Implemented	
4c	Agree	July 2013	Implemented	
5a	Agree	November 2011	Implemented	
5b	Agree	June 2011	Implemented	
6a	Agree	March 2012	Not Implemented	June 2013
6b	Partially agree	May 2012	Implemented	
6c	Agree	July 2012	Implemented	

DETAIL OF IMPLEMENTATION STATUS

Recommendation #: 1

Agency Addressed: Department of Labor and Employment

Original Recommendation in Audit Report:

The Department of Labor and Employment should ensure that unemployment insurance (UI) claimants meet the requirements of House Bill 06S-1023 and federal law for attesting to their lawful presence in the United States by:

- a. Changing the language in the UI application form so that claimants are clearly affirming that they are legally present in the United States through the application.
- b. Requiring all applicants to affirm legal presence before receiving benefits.
- c. Eliminating the use of the current paper affidavit form for affirming legal presence.

Agency's Response *(i.e., agree, partially agree, disagree):*

- a. Agree
- b. Agree
- c. Partially agree

Agency's Written Response in Audit Report:

- a. Agree. Implementation date: December 2011.

We will tighten the language on the current online initial claim application. Wording will clearly demonstrate that claimants not only affirm that they understand the legal requirement, but that they attest that they are actually legally present as well.

- b. Agree. Implementation date: December 2011.

Most claimants file online, and they will be required to affirm lawful presence in order to complete the on line application. All claimants who file over the telephone will attest to their legal presence and those responses will be recorded.

- c. Partially Agree. Implementation date: December 2011

The Department will mail the affirmation of legal presence form to claimants who file a claim over the telephone to assure the integrity of the telephone recordings and because recordings are only stored for 10 to 11 months due to capacity issues. The call center script will be changed to be more specific. We will eliminate sending forms to those who apply online once our language has been changed.

Current Implementation Status of Recommendation (i.e., Implemented, Implemented and Ongoing, Partially Implemented, Not Implemented, or No Longer Applicable):

- a. Implemented
- b. Implemented
- c. Not Implemented

Agency's Comments on Implementation Status of Recommendation:

- a. This recommendation was fully implemented on December 30, 2011 with language changes made to the electronic applications.
- b. This recommendation was implemented in December 2011 with updates to call center scripts and recorded attestations being maintained for claimants filing via phone. Recordings are maintained for 10-11 months depending on storage capacity.
- c. Although we share the goal of the original Audit report recommendation to eventually eliminate reliance on paper affidavits for affirmation of legal presence, the UI Division has determined that it is not technologically or legally practical to eliminate paper affidavit forms at this time. The Division assessed the feasibility of eliminating this form, but recognized the value of maintaining the existing process as well as several limitations in our existing IT systems that necessitate keeping this practice. This form is also used as a secondary check on the personal information the claimant submits with his/her application. With the affidavit form returned from claimants, the division has an original signature on file that can be used to establish identity if a fraud or theft the issue arises in the

future. Due to the potential for identity theft and/or fraud, the division had to reconsider this recommendation. Since verification of claimant identity through IP address or other methods is not feasible at this time, we cannot yet fully implement this recommendation. This form is also used as a secondary check on the personal information the claimant submits with his/her application. The division will continue to pursue solutions to satisfy the audit goal and the integrity of our processes. Once new technology is in place that can trace IP addresses it will eliminate the need for paper affidavit forms for online applications. New implementation date of removing the use of paper affidavit forms: January 2016.

Recommendation #: 2

Agency Addressed: Department of Labor and Employment

Recommendation Text in Audit Report:

The Department of Labor and Employment (the Department) should ensure that unemployment insurance (UI) claimants meet the requirements of House Bill 06S-1023 and federal law for affirming their lawful presence in the United States by:

- a. Requiring all claimants to provide the number of their valid Colorado driver's license or Colorado identification card, or a copy of other documents acceptable under House Bill 06S-1023, before paying benefits. In addition, the Department should establish a process to collect acceptable forms of identification other than a Colorado driver's license or identification card and provide claimants with instructions on the application for submitting this documentation.
- b. Establishing procedures to verify that the person applying for benefits is the same person depicted by the identification number or document that the person provides on his or her application. These procedures could include verifying all Colorado driver's license and identification numbers provided by claimants using Department of Revenue records. If necessary, the Department should seek legal counsel from the Office of the Attorney General to clarify the procedures that the Unemployment Insurance Program must follow to satisfy House Bill 06S-1023 while complying with federal requirements.

Agency's Response (i.e., Agree, Partially Agree, or Disagree): Agree

Agency's Written Response in Audit Report:

a. Agree. Implementation date: December 2012.

The Department will require all claimants to provide the number of their valid Colorado driver's license or Colorado identification card, or a copy of other documents acceptable under House Bill 06S-1023, before paying benefits. The Department will develop a process and an IT plan that will include mechanisms for flagging claims with invalid identification numbers for follow up and instructions for applicants who do not have a Colorado driver's license or identification card. The Department is concerned that federal guidelines for first pay promptness will be negatively impacted for claimants who are legally present, but do not supply the required documentation in a timely manner.

b. Agree. Implementation date: December 2012.

Working with the Department of Revenue, we will establish procedures to verify that the person applying for benefits is the same person depicted by the identification number or document that the person provides on his or her application. We will work with the Department of Revenue to develop and/or enhance the automated mass interface between the two departments' IT systems.

Current Implementation Status of Recommendation (i.e., Implemented, Implemented and Ongoing, Partially Implemented, Not Implemented, or No Longer Applicable):

a. Partially Implemented

b. Implemented and ongoing

Agency's Current Comments on Implementation Status of Recommendation:

a. The Department implemented a manual verification process in November 2011 for Colorado driver's license/ID card, and priority was given to screening ID numbers that were obviously incorrect. In May 2012, the Department implemented a file exchange of applicants with the Division of Motor Vehicles (DMV) to share data on the specifics of social security numbers (SSN) on applications as compared to DMV files. This process identifies all mismatches, including those that may provide out of state information or have some other acceptable document. Currently, an administrative team reviews all mis-matches daily. Most cases are resolved as minor errors in the name or transposed numbers. The team corrects these at the point of discovery. A process for validating and tracking other acceptable

forms of identification has been developed and will be implemented by 7/31/2012. Furthermore, benefits will not be disbursed to a claimant until we have verified an acceptable form of identification.

b. On May 13, 2012, the UI Division implemented an automated mass interface of a daily file transfer to match driver's license numbers on UI benefit applications to Colorado DMV records, replacing the previous practice of screening records manually for incorrect numbers and researching individuals through the DMV web application. The Division is also a participant in the federal Systematic Alien Verification for Entitlements (SAVE) program for verification of alien workers legal presence with the INS.

Recommendation #: 3

Agency Addressed: Department of Labor and Employment

Original Recommendation in Audit Report:

The Department of Labor and Employment should improve its processes for collecting information from unemployment insurance (UI) claimants by:

- a. Collecting information regarding claimants' separation from employment when they apply for benefits over the phone, and eliminating or reducing the use of the "Request for Facts—Employee" form during the initial application process.
- b. Increasing the number of employers who electronically submit information currently collected by the "Request for Facts—Employer" paper form.
- c. Adding an open-ended question to the new UI claims application that asks claimants who report they were laid off to provide more detailed information regarding the circumstances of the layoff.
- d. Adding language to the online and telephone-based continued claims filing systems indicating that claimants must conduct a work search, including a minimum number of job contacts, to continue receiving benefits and requiring all claimants to provide the number of job contacts made each week and information for each job contact when they file for continued benefits.

Agency's Response (i.e., agree, partially agree, disagree):

- a. Partially agree
- b. Agree
- c. Partially agree
- d. Partially agree

Agency's Written Response in Audit Report:

- a. Partially agree. Implementation date: December 2011.

Currently, approximately 30 percent of claims are filed via telephone. A cost-benefit analysis will be conducted that will compare the cost of mailing and processing the forms versus the cost of staff salary required to collect the claimant's separation information verbally during the phone call. The major benefit to mailing the "Request for Facts – Employee" form is that the claimant has the opportunity to provide detailed separation information, for consideration during the eligibility and entitlement processing. Also for consideration in the analysis, historical data indicates that verbal collection of this information will add an additional 10-12 minutes to the average call length and thus could impact caller wait times.

- b. Agree. Implementation date: June 2012.

The UI Program is working on a new system that will allow employers to optionally provide separation information electronically and should have that in place June 2012. The program continues to collaborate with USDOL to expand employer's participation with SIDES. Due to federal requirements to notify employers separately of a claim and of potential charges, and some employers' need for paper processing, we cannot completely eliminate the use of the employer request form.

- c. Partially agree. Implementation date: December 2011.

The current online application does not provide an opportunity for detailed information collection on layoff separations and will be phased out by the end of the year. The new online application however provides the claimant with seven options to explain the primary reasons for the layoff. These reasons are: Lack of Work, Weather, Reduction-in-Force, Position Eliminated, Company Closed, Company Moved, and Health. We will be adding an open text box to the ISS application form for those who file online. We are unable to add an open text box for people who file by phone.

- d. Partially agree. Implementation date: December 2012.

We can add language by December 2011 to both the phone application script and the online application clearly outlining a claimants job search responsibilities to collect benefits. We will also include a form for this data collection in the new UI Handbook by March 2012 with clear language that indicates if requested, they must provide the completed form. Collecting this information online will not be feasible until new technology is in place. We will do a cost benefit analysis of actually adding this information to the new online application system once the new online employer system is fully up and running. This analysis will be completed by December 2012.

Current Implementation Status of Recommendation (i.e., Implemented, Implemented and Ongoing, Partially Implemented, Not Implemented, or No Longer Applicable):

- a. Implemented
- b. Implemented
- c. Implemented
- d. Partially Implemented

Agency's Comments on Implementation Status of Recommendation:

a. While initially targeted for December 2011 the start date of the cost benefit analysis was delayed to coincide with the training and guidance of the Governor's Lean Initiative through OSPB during the months of March – May 2012. The "Cost-Benefit Analysis" included, but was not limited to the following factors:

- 1) Agent time to obtain information from the claimants
- 2) An assessment of the quality of the claimant separation facts obtained
- 3) An estimate of the adjudication time to collect claimant separation facts
- 4) Mailing, handling and processing costs
- 5) Anticipated maintenance costs
- 6) Developmental time and cost for new tools and products
- 7) Training required and employee development

In our pilot test project we found potential savings in the reduction of mailed “Request for Facts” forms and increased reliance on the use of initial full fact finding through the customer service center discussions with claimants. Our Customer Service agents preferred a new “Decision Tree” method over using the existing tool available to claimants online. The information obtained from this “Decision Tree” tool was of higher quality than the current method and the Department believes there will be a correlation between use of this tool and higher quality scores on adjudication review. The “Decision Tree” method will be further piloted and then fully implemented.

b. The UI Division implemented the new State Information Data Exchange System (SIDES) e-response website for small employers on 05/13/2012. This allows the Division to expand electronic responses to all Colorado employers. Colorado has been a participant in SIDES Third Party Administrator (TPA) Application since January 2011 and was one of the pilot implementation states. For CY 2011, 9,255 responses were received through SIDES, with only 12 responses being received late (less than 1%). In early 2012, the largest TPA in the state of Colorado TALX became a participant, adding 2,365 employers to the program. There are currently over 3,600 (3%) employers participating in SIDES or SIDES e-response. The Division’s goal is to have 25% of all employer responses for separation information received electronically by the end of CY 2012.

c. The UI Division has updated the new online application to provide an open text box that asks the claimant to provide any additional information they feel is necessary. The language is as follows: If you want to provide additional information about your layoff, please provide it here.

d. The UI Division has updated the online and telephone based continued claims filing system to strengthen the language regarding work search requirements as well as the CDLE website and the UI Claimant Handbook. The UI Handbook specifically outlines the work search requirements, includes a tracking log and clearly outlines the need and duration to maintain work search log records in the event of an audit by the Department to verify completion of this requirement. The continued claims filing systems (Web and IVR system) will remain in synch and will be further updated as the new online application is completed and released. The new online continued claim application is expected to include further review for adding the actual number of required job contacts.

Recommendation #: 4

Agency Addressed: Department of Labor and Employment

Original Recommendation in Audit Report:

The Department of Labor and Employment should improve the efficiency and quality of the Unemployment Insurance Program's review of claims eligibility issues by:

- a. Reprogramming CUBS to allow for the automated processing of claims with issues related to claimants being able and available for work, looking for work, and registering with a workforce center.
- b. Making changes to claims filing rules to require claimants to file earlier and reviewing the procedures used to set deadlines for eligibility review staff to ensure that the deadlines for resolving claims eligibility issues align with federal deadlines when possible.
- c. Analyzing the effect of benefits being determined solely on the last employer, and considering the impact to employers, claimants, and the UI Trust Fund. If it is determined to be in the best interest of the State, the Department should work with the General Assembly to change this statutory requirement.

Agency's Response (*i.e., agrees, partially agree, disagree*):

- a. Partially agree
- b. Partially agree
- c. Agree

Agency's Written Response in Audit Report:

- a. Partially agree. Implementation date: September 2012.

Due to the complexity of the UI Program's aged IT system, the proposed change is time-consuming and competes with other mandatory changes and upgrades for priority. A cost-benefit analysis of this proposed change should be completed to determine if the efficiency gained would exceed that of other already identified priority initiatives. We will also discuss this issue with the multi-state consortium to determine feasibility.

- b. Partially agree. Implementation date: July 2013.

The program has already initiated a time and cost estimate for the completion of the necessary automation changes that would be required to allow claimants to file continued claims weekly instead of bi-weekly. Due to the expense and concerns with system capacity, telephonic continued claims will continue to be filed on a bi-weekly basis via the phone system. In April 2011 the Department amended the performance plans and procedures of staff to align deadlines for resolving claim issues to meet both Department and federal timeliness standards.

- c. Agree. Implementation date: July 2013.

We have already begun discussions and are analyzing what the impact of this change would be to both claimants and employers, which should be completed by January 1, 2012. We are also considering the impact of changing statutes, and consequently business requirements for the new system. If we move forward with legislation, the effective date would be upon implementation of the new technology.

Current Implementation Status of Recommendation (i.e., Implemented, Implemented and Ongoing, Partially Implemented, Not Implemented, or No Longer Applicable):

- a. Partially implemented
- b. Partially Implemented
- c. Implemented

Agency's Comments on Implementation Status of Recommendation:

a. Currently we do automatically review issues created by the continued claims filing systems and resolve a majority of issues in the able, available and actively seeking work arenas. Work registration programming was enhanced to improve the proper reporting of participants and a resulted in a significant reduction in the incidence. Any other programming would involve interfaces between two separate programs and has been deemed unrealistic to accomplish at this time but is still expected to be implemented as a component of the new technology solution as part of the multi-state consortium project.

Our ongoing analysis of what is and is not feasible includes considerations related to replacement technology, fluctuating expectations of billing information and communication capabilities, and anticipation of future procurement decisions by WyCAN and the State of Colorado.

At this time, we do not have a specific document discussing this evaluation in the detail you appear to be requesting. However, it is our intention to have available a high level cost benefit analysis of this item versus competing projects and priorities by September 2012.

b. We anticipate that technical limitations and cost preclude changing policy and current systems such that claimants can file for benefits weekly. The Division reviewed several other options for improving timeliness including: change the bi-weekly filing back to 7 days vs. 14 days; change the Division's policy to adjudicate claims only when a continued claim is filed. The latter change was implemented on January 1, 2012 as it was deemed the least disruptive to claimants and other stakeholders. This change allows issues to be assigned to adjudicators several weeks earlier. The Department believes that current process improvements scheduled for implementation in the course of the next year will result in better compliance of claims adjudications with state and federal timeliness standards. Because a final determination on this item is not due until July 2013, and because discussions on technology issues and systems are ongoing with WyCAN consortium partner states, we are waiting to make a final conclusion. That final conclusion will include a broader discussion of the technology and staff time and costs used in this analysis.

c. After a cost-benefit analysis, and comparative review of other states' policies, the UI Division has concluded that it is not advisable to seek changes to its current claims adjudication methodology. The Department's analysis concluded that if Colorado eliminated the practice of reducing maximum benefit amounts when a claimant is denied collecting from a base period employer, it would cost the UI Trust Fund as much as several hundred million dollars. Following is a more detailed discussion of that analysis:

In its cost benefit analysis, the UI Division evaluated several other state models for adjudication and benefit charging and the potential impacts to the current state. This assessment revealed Colorado currently has one of the lowest rates for socialized cost of UI benefit charges in the nation at 4%. Costs are socialized to all contributory employers when benefits are drawn from the UI Trust Fund, but no individual employer's account is charged. This is primarily due to Colorado's rather unique benefit charging practices. The spirit of UI law in Colorado is aligned tightly with the experience rating principle of employer responsibility for unemployment (i.e., benefit charging) only in cases where the employer is deemed responsible for the separation. Under existing statute [8-73-108(3)] all base period employers and the last employer are adjudicated for entitlement with the exception of those base period employers (not last) where wages were less than \$1000. In cases of disqualification, the philosophy of minimized socialization of UI costs against the Trust Fund is succinctly stated in 8-73-108(5) (e):

Subject to the maximum reduction consistent with federal law, and insofar as consistent with interstate agreements, if a separation from employment occurs for any of the following reasons, the employer from whom such separation occurred shall not be charged for benefits which are attributable to such employment *and, because any payment of benefits which are attributable to such*

employment out of the fund as defined in section 8-70-103 (13) shall be deemed to have an adverse effect on such employer's account in such fund, no payment of such benefits shall be made from such fund: (emphasis added).

In practice, through the adjudication process, a disqualification on any base period employment results in a reduction of the claimant's maximum benefit amount by the amount attributable to that employer. Therefore, these benefits would not be drawn from the Trust Fund. Under an alternative adjudication practice of determining entitlement based on the last separation only, these reductions would not have occurred and benefit costs in these cases would likely need to be socialized. For example, under current law, a claimant who quit a base period employer for non-qualifying reasons to accept a job with his last employer (a lack of work separation) would have the wage credits from the base employer removed with a denial of benefits; thus reducing maximum benefit amount payable on the claim. In cases where the last employer did not contribute to the base wages, the claimant would only be entitled to one week of benefits for the life of the claim. This could mean a difference of a claimant collecting \$513 vs. \$13,338 on a claim. If only the last employer were adjudicated in this example, the additional \$12825 would either have to be charged to the base employer or charged to the fund and socialized to all employers through the annual experience rating process. Without formal adjudication of a base period separation there is no mechanism for reducing the claimants entitlement to benefits attributed to such employment.

Recommendation #: 5

Agency Addressed: Department of Labor and Employment

Original Recommendation in Audit Report:

The Department of Labor and Employment should increase the number of overpayments detected and recovered by:

- a. Reviewing the current staffing levels and determining if there are opportunities to re-assign additional staff to the Benefit Payment Control unit for the purpose of increasing overpayment detection and recovery activities.
- b. Giving priority to detecting and collecting more recent overpayments.

Agency's Response (i.e., agree, partially agree, disagree): Agree

Agency's Written Response in Audit Report:

a. Agree. Implementation date: November 2011.

From April to August 2011 the Department conducted a comprehensive qualitative and quantitative analysis of staffing and functions within the UI program to design a more efficient and effective operations structure. The resulting reorganization plan (1) streamlined management and administrative functions, (2) dedicated more resources to customer service and quality control functions, and (3) increased the utilization of permanent part-time staff to balance economic and seasonal demands with fluctuating funding provisions. The UI reorganization which will be complete on November 1, 2011, will allow the program to focus on these issues by moving additional staff from other support areas to direct service including customer service center, adjudication, and integrity and fraud units. This should result in decreased administrative overpayments and an increase in detection and recovery of overpayments.

b. Agree. Implementation date: June 2011.

The Department is already intensifying efforts to eliminate overpayments with focus on three main root causes of improper payments: work-search, separation, and benefit-year-earnings issues. To tackle these root causes, an Integrity Task Team, composed of staff from all branches, was implemented July 2011 to focus on prevention, detection and recovery of improper payments. A robust Integrity Action Plan has been developed to combat improper payments. This task force will track the improper payment rates, monitor the action plans, and make adjustments as needed. Communication efforts are being revamped to provide additional methods in which the UI Program can communicate critical information to staff, claimants, and employers beginning in September 2011 and ongoing. As of October 2011, training teams began developing, refining, and testing competency-development tools and techniques for frontline staff in each discipline to improve staff skill and abilities for UI Program delivery that will result in fewer administrative overpayment errors. We anticipate lowering improper payments to meet or be less than the national average of 11 percent by September 2012.

As of June 2011, priority has been given to detect and collect more recent overpayments with emphasis on National Directory of New Hire (NDNH) audits, which allows the overpayment to be detected sooner. UI will begin an aggressive approach for recovery of improper payments by using automated skip-tracing tools that will be made available by October 31, 2011. The UI Program will continue to offset state refund taxes and will soon offset federal tax refunds and gaming proceeds for overpayments referred to apply to UI debt owed beginning January 2012.

Current Implementation Status of Recommendation (i.e., Implemented, Implemented and Ongoing, Partially Implemented, Not Implemented, or No Longer Applicable):

- a. Implemented
- b. Implemented

Agency's Comments on Implementation Status of Recommendation:

- a. The UI Re-organization was completed on November 1, 2011, and ten additional staff positions were added to the Benefit Payment Control unit to focus resources on detecting and recovering overpayments. Six of those positions were filled immediately to implement actions to clear the backlog of wage and benefit cross match audits, tips and leads and National Directory of New Hires (NDNH) audits. Four additional positions were filled in March.

As with any program, staffing levels change due to promotion, attrition and other factors. In sum these additions equate to a 33% increase in BPC staffing dedicated to overpayment detections and recovery efforts. The BPC unit endeavors to maintain a zero vacancy rate with all personnel actively focused on BPC detection and recovery activities.

- b. Significant progress has been made on detection and collection activities since June 2011, and our current projection is to be within acceptable federal standards by fall 2012.

Due to workload issues associated with federal Extended Unemployment Compensation (EUC), BPC experienced large backlogs in traditional BPC activities including wage and benefit cross match, NDNH, cross match, tips and leads with mounting waiver requests and other issues. With the addition of BPC resources and the formation of the Integrity Task Force in September 2011, the division was able to bring focus on the three root causes of improper payments (work search issues, separations, and benefit year earnings issues). The additional BPC personnel resources allowed focused efforts on catching up the backlog while implementing new strategies to prevent, detect and recover overpayments. The BPC unit:

- Resumed wage and benefit cross match audits;
- Resumed weekly NDNH audits which add to earlier detection;
- Caught up on waivers and issue clearances.

Beyond the BPC, additional ITF strategies include dedicated, focused training to all UI staff on separations, work search, reporting hours and earnings while collecting benefits. Training also included awareness campaigns to claimants and employers on their roles and responsibilities to avoid improper payments. Tactics such as updates to the claimant “Guide to Getting Paid Benefits” with renewed emphasis on the three root causes to avoid overpayments, outbound call and e-mail campaigns to claimants and employers with targeted messages all help prevent overpayments.

- These activities have reduced the Improper Payment rate significantly from 18.65% in 2010 to 14.22% in CY2011 with a continued drop throughout 2012 to below 12%. The BPC unit continues to focus on additional recovery activities.
- The Department continues to pursue Treasury Offset Program (federal income tax return intercepts) through the CO Department of Personnel and Administration, Central Collection Services and the US Department of Treasury, Financial Management Services. Final efforts are underway to test interoperability on file sharing.
- Overpayment recoveries are up 300 % comparing collections (cash and offsets) from 2008-2009 (\$19,001,330.00) to 2010, 2011, and to date 2012 (\$62,125,547.00)
- Lastly, in May 2012, the BPC added the capability to accept credit card payment over the phone increasing our recovery methods. To date alone the department collected \$62,136.02 funds through credit card payment.

Recommendation #: 6

Agency Addressed: Department of Labor and Employment

Original Recommendation in Audit Report:

The Department of Labor and Employment should improve the efficiency of its customer service functions in the Unemployment Insurance Program (UI Program) by:

- a. Eliminating or restricting the use of customer call backs.
- b. Requiring claimants to apply for UI benefits online and establishing alternative application procedures for claimants who are not able to file online.

- c. Developing and implementing strategies to increase the number of staff answering customer service calls, including evaluating the UI Program's flex schedule policy to determine if it is consistent with optimizing customer service.

Agency's Response (i.e., agree, partially agree, disagree):

- a. Agree
- b. Partially agree
- c. Agree

Agency's Written Response in Audit Report:

- a. Agree. Implementation date: March 2012.

We have already restricted callbacks and they have been reduced by over half in the past year and will continue to decline as service levels improve in the call center and through outreach efforts. Further restrictions on callbacks will be accomplished through internal management procedures and controls. However, recognizing that from time to time the need will arise to respond by telephone to urgent, complex, or unique requests or issues, the program considers it essential that callback capabilities not be eliminated "completely."

- b. Partially agree. Implementation date: May 2012.

The Department believes it would be overly stringent to require all claimants to file over the Internet without regard to service access issues, though this is the preferred method. However, we will research this issue with other states that have moved to an all-online application system to determine if such a system is feasible for Colorado and take steps as applicable based on this research.

- c. Agree. Implementation date: July 2012.

The reorganization of the UI Program, which will be complete on November 1, 2011, will allow the UI Program to focus on these issues. Staff will be moved from other support areas to direct service in the call center. The Department has previously evaluated the flex-time policy and staffing needs, making coverage adjustments as needed to best serve the needs and interests of the customers. Our internal analysis demonstrates that the complete elimination of flex-time schedules, however, would result in fewer calls being answered overall due to the reductions in scheduled phone time. We are now going to conduct another analysis based on new staffing levels and days flex time can be offered to maximize customer service.

Current Implementation Status of Recommendation (i.e., Implemented, Implemented and Ongoing, Partially Implemented, Not Implemented, or No Longer Applicable):

- a. Not Implemented
- b. Implemented
- c. Implemented

Agency's Comments on Implementation Status of Recommendation:

- a. The call back response process was redirected to be handled solely by the Customer Service Center (CSC) at the end of December 2012. Unfortunately, incoming call back requests are still averaging over 600/week. The CSC staffing has been increased beyond the initial allocation of the reorganization by nearly 40 positions. The Division expects call backs to be further reduced with full staffing in the customer service center and adjudication. The volume of call backs will be reevaluated by June 2013, in order to incorporate and assess the high volume “busy season” early in the calendar year.
- b. Colorado reviewed the practice of requiring on-line filing with the state of Florida which implemented a similar requirement. Broadband service is more ubiquitous in Florida; many of Colorado’s rural communities have limited or no access to Internet service. Florida does provide alternatives to filing on line where necessary including individuals with no internet access or due to disability (e.g., sight impaired). The UI Division considers a blanket requirement for on-line filing to be overly stringent in light of current technology limitations. The Division will bolster marketing and proactively encourage use of our Internet applications as the preferred method of filing.
- c. The reorganization in November 2011 resulted in a 30% increase in staff dedicated to direct customer service. CSC FTE was increased in November to 53 positions and again in May by 19 FTE. The Division hopes to sustain 90 FTE in the CSC by September 2012. The Division reviewed the flex time policy again in April 2012. Following analysis of phone statistics and discussions with staff and managers on the advantages of providing flex schedules, the Division decided to continue providing flex schedules as it best serves the needs of the business in conjunction with the hours of calls taken in the UI customer service center.