



November 15, 2022

Status Report – Unemployment Insurance Benefits

Members of the Legislative Audit Committee:

Attached is the Department of Labor and Employment's (Department) status report on its implementation of the recommendations contained in the Office of the State Auditor's (OSA) public version of the *Unemployment Insurance Benefits Performance Audit*. The OSA also issued a confidential version of the report that contained sensitive information and was discussed during executive session at the December 2021 Legislative Audit Committee (Committee) hearing. At the December 12, 2022, Committee hearing, we will discuss the status report for the public audit report and then, following the Committee's vote to go into executive session in accordance with Section 24-6-402(3)(a)(III) and (IV), C.R.S., we will distribute and discuss the status report for the confidential audit report, which provides details on the Department's implementation of the recommendations from the confidential report.

OSA Review of Documentation

As part of the status report process, we requested and received supporting documentation for each recommendation that the Department reported as having been implemented or partially implemented. For example, we reviewed:

- The contract between the Department and its vendor that checks unemployment insurance claims against other data sources.
- Updated Department policies and procedures for investigating claims identified as possibly fraudulent and for placing paying holds on such claims.
- The Department's online claimant feedback form.
- The updated contract between the Department and its call center.

Based on our review, the supporting documentation substantiates the Department's reported implementation status.



COLORADO
Department of
Labor and Employment

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10/14/2022

Kerri L. Hunter, CPA
State Auditor
Colorado Office of the State Auditor
1525 Sherman St., 7th Floor
Denver, CO 80203

Dear Auditor Hunter:

In response to your request, we have prepared the attached status report on the implementation status of audit recommendations contained in the Unemployment Insurance Benefits performance audit. The report provides a brief explanation of the actions taken by the Department of Labor & Employment to implement each recommendation.

If you have any questions about this status report and the Colorado Department of Labor and Employment's efforts to implement the audit recommendations, please contact Henry Hung at [303-590-5376](tel:303-590-5376) or henry.hung@state.co.us.

Sincerely,

A handwritten signature in black ink, appearing to read 'JB', with a long horizontal line extending to the right.

Joe Barela
Executive Director
Colorado Department of Labor and Employment



Public - Audit Recommendation Status Report

Audit Name:	Public Report: Unemployment Insurance Benefits Performance Audit
Audit Number:	2056P
Agency:	Department of Labor and Employment
Date of Status Report:	October 14, 2022

Section I: Summary

Rec. Number	Response from Audit Report	Original Implementation Date	Current Implementation Status	Current Implementation Date
1A	Agree	January 2023	Implemented	January 2022
1Ai	Agree	December 2021	No Longer Applicable	No Longer Applicable
1Aii	Agree	January 2023	Implemented	January 2022
1B	Agree	December 2022	Not Implemented	December 2022
1Bi	Agree	December 2022	Not Implemented	December 2022
1C	Agree	December 2021	Partially Implemented	December 2021
1D	Agree	December 2023	Partially Implemented	December 2023
1E	Agree	December 2021	Implemented	December 2021
1F	Agree	March 2022	Implemented	May 2022
2A	Agree	March 2022	Implemented	May 2022
2B	Agree	March 2022	Implemented	March 2022
3A	Agree	March 2022	Not Implemented	December 2022
3B	Agree	October 2021	Implemented	December 2021
3C	Agree	March 2022	Not Implemented	December 2022

Section II: Narrative Detail

Recommendation 1A

The Department of Labor and Employment (Department) should improve its detection and prevention of unemployment insurance fraud by:

A. Improving internal controls as recommended in the confidential report.

Current Implementation Status	Implemented
Current Implementation Date	1/10/22
Status Update Narrative	As of 1/10/22, the Department of Labor and Employment (CDLE) has implemented this recommendation and improved internal controls as recommended in the confidential report.

Recommendation 1Ai	
The Department should improve its detection and prevention of unemployment insurance fraud by: Ai. Improving internal controls as recommended in the confidential report.	
Current Implementation Status	No Longer Applicable
Current Implementation Date	No Longer Applicable
Status Update Narrative	CDLE has made alternate changes to processes to improve its detection and prevention of fraud, therefore this internal control recommended in the confidential report is no longer needed.

Recommendation 1Aii	
The Department should improve its detection and prevention of unemployment insurance fraud by: Aii. Improving internal controls as recommended in the confidential report.	
Current Implementation Status	Implemented
Current Implementation Date	1/10/22
Status Update Narrative	CDLE has implemented this recommendation and improved internal controls as recommended in the confidential report.

Recommendation 1B	
The Department should improve its detection and prevention of unemployment insurance fraud by: B. Improving internal controls as recommended in the confidential report.	
Current Implementation Status	Not Implemented
Current Implementation Date	12/31/22
Status Update Narrative	CDLE has not yet implemented this recommendation as recommended in the confidential report. We anticipate this will be complete by 12/31/22.

Recommendation 1Bi	
The Department should improve its detection and prevention of unemployment insurance fraud by: Bi. Improving internal controls as recommended in the confidential report.	
Current Implementation Status	Not Implemented
Current Implementation Date	12/31/22
Status Update Narrative	CDLE has not yet implemented this recommendation as recommended in the confidential report. We anticipate this will be complete by 12/31/22.

Recommendation 1C	
The Department should improve its detection and prevention of unemployment insurance fraud by: C. Investigating each of the likely and potentially fraudulent claims that the audit identified and referring them for prosecution and collection, as appropriate.	
Current Implementation Status	Partially Implemented

Current Implementation Date	12/31/2021
Status Update Narrative	<p>As of 12/31/2021, CDLE has investigated the likely and potentially fraudulent claims identified by the audit and referred them for prosecution and collection as appropriate.</p> <p>CDLE, in collaboration with our MyUI+ system experts, ran comparative analytics on the file of 8,200 potentially fraudulent claims identified by OSA. For any claims that didn't have fraud holds in MyUI+ that did in the OSA file, CDLE performed a risk assessment of the claim, placed holds, and referred for prosecution or collection as appropriate.</p> <p>Specific numbers related to the 8,200 that have been referred to collections or persecution are difficult to report due to the complex and interconnected nature between the federal and state level regarding how claims are prosecuted, investigated, and collections pursued.</p> <p>As of August 31, 2022, CDLE has collected \$47.5 million from fraudulent claims. Between January 1, 2022, and August 31, 2022, CDLE has referred 39 cases for prosecution that involved 64 claims, seeking restitution in the amount of \$629,784. These numbers include ID theft cases and regular earnings fraud cases. This number does include joint investigations between CDLE and other state or federal agencies, and grand jury investigations.</p> <p>Due to the nature of these investigations, money may have been collected by a federal agency or grand jury investigation but not yet disbursed to CDLE. Joint investigations can involve multiple affected jurisdictions and lengthy investigation processes. This can lengthen the time it takes for CDLE to collect on any fraudulent payments from joint investigations.</p> <p>Information from joint investigations between CDLE and federal agencies, banks, and grand juries are updated as information becomes available to CDLE.</p>

Recommendation 1D	
The Department should improve its detection and prevention of unemployment insurance fraud by: D. Improving internal controls and making necessary changes as recommended in the confidential report.	
Current Implementation Status	Partially Implemented
Current Implementation Date	12/31/2023
Status Update Narrative	CDLE has partially implemented this recommendation to improve internal controls as recommended in the confidential report. CDLE anticipates that this will be complete by 12/31/2023.

Recommendation 1E

The Department should improve its detection and prevention of unemployment insurance fraud by:
E. Ensuring that the Department enhances its fraud indicators by employing any used by the audit that are not currently used by the Department, to help identify likely and potentially fraudulent claims.

Current Implementation Status	Implemented
Current Implementation Date	12/31/21
Status Update Narrative	CDLE continually evaluates our fraud indicators. CDLE completed an evaluation of fraud indicators used by the auditors on 12/31/21. CDLE ensured that any appropriate fraud indicators not currently being used by CDLE were integrated into our fraud indicators list. CDLE has weekly meetings with our systems experts to evaluate new threats and subsequently make appropriate updates to fraud indicators in MyUI+.

Recommendation 1F

The Department should improve its detection and prevention of unemployment insurance fraud by:
F. Improving internal controls as recommended in the confidential report.

Current Implementation Status	Implemented
Current Implementation Date	5/17/2022
Status Update Narrative	CDLE has implemented this recommendation and improved internal controls as recommended in the confidential report.

Recommendation 2A

The Department should ensure that it addresses claimants' requests for assistance regarding unemployment insurance benefits fraud holds in a timely manner by:
A. Developing and implementing written policies and procedures for providing claimants assistance and investigating fraud holds in a timely manner, documenting the resolutions and timeliness of resolutions, and monitoring the timeliness of Department assistance.

Current Implementation Status	Implemented
Current Implementation Date	5/17/2022
Status Update Narrative	As of 5/17/2022, CDLE has evaluated and updated our policies and procedures related to investigating possibly fraudulent claims. The updated policies and procedures provide instruction on providing claimants' assistance and investigating fraud holds in a timely manner, documenting the resolutions and timeliness of resolutions, and monitoring the timeliness of Department assistance. CDLE will monitor and update these policies and procedures as necessary. CDLE attached a copy of our updated policies and procedures for OSA's review.

Recommendation 2B	
<p>The Department should ensure that it addresses claimants' requests for assistance regarding unemployment insurance benefits fraud holds in a timely manner by:</p> <p>B. Identifying and implementing an information technology solution, or other method, to track and monitor duplicate requests for assistance with fraud holds, and their resolutions.</p>	
Current Implementation Status	Implemented
Current Implementation Date	3/31/2022
Status Update Narrative	<p>On March 31, 2022, CDLE made technical changes to how our system handles and tracks claimant requests for assistance regarding unemployment insurance benefits fraud holds.</p> <p>In the new system, requests for assistance must include an SSN or Claimant ID when submitting a request for assistance. Any requests after the initial request are now marked and sorted in the system as additional requests and grouped by SSN or Claimant ID.</p> <p>CDLE monitors the resolutions of these requests for assistance through Salesforce reports, reports from our MyUI+ system experts, and staff tracking sheets.</p>

Recommendation 3A	
<p>The Department should improve the Division of Unemployment Insurance's (Division) complaint management by:</p> <p>A. Developing and implementing policies and procedures for tracking, investigating, and resolving all complaints timely, and maintaining data about the resolutions.</p>	
Current Implementation Status	Not Implemented
Current Implementation Date	12/31/2022
Status Update Narrative	<p>CDLE completed the creation of an online complaint form. CDLE is currently in the process of creating a similar online tool for complaints arriving via escalation avenues for UI through many sources, including the CDLE Executive Director's Office, and for complaints coming from call centers.</p> <p>Once these forms are complete, CDLE will document and implement our policies and procedures related to complaints management. CDLE anticipates that the forms and new system will be completed by 12/31/2022. CDLE attached a screenshot of the complaint form as documentation for OSA's review.</p>

Recommendation 3B	
<p>The Department should improve the Division's complaint management by:</p> <p>B. Ensuring that any future contracts for call center services require the contractor to maintain data on all complaints that the contracted call center receives, and report the information to the Department.</p>	
Current Implementation Status	Implemented

Current Implementation Date	12/31/2021
Status Update Narrative	<p>CDLE finalized the contract language for all future call center contracts. The updated contract language requires call center contractors to maintain data on all complaints received by the contracted call center and report the information to the Department.</p> <p>This updated language has been included in our most recent contract with Conversion Calls. CDLE attached a copy of our most recent contract with Conversion Calls with the updated language, for OSA's review.</p>

Recommendation 3C	
<p>The Department should improve the Division's complaint management by:</p> <p>C. Analyzing aggregate complaint data periodically to identify common complaints and ongoing problems, identify areas for improvement, report the results to management, and take corrective action as appropriate.</p>	
Current Implementation Status	Not Implemented
Current Implementation Date	12/31/2022
Status Update Narrative	<p>Immediately after the final forms, policies, and procedures have been finalized and implemented, CDLE will begin analyzing aggregate complaint data. As CDLE analyzes the complaint data, CDLE will develop and implement a process to identify areas for improvement, report the results to management, and take corrective action.</p>