



OAG

Office of the Auditor General

Report Summary

Performance Audit

Report Number:
186-0320-22

Fraud and Investigation Activities

Unemployment Insurance Agency (UIA) Department of Labor and Economic Opportunity (LEO)

Released:
December 2023

UIA's Investigations Division (ID) promotes and maintains the integrity of the unemployment insurance (UI) program through prevention, detection, investigation, establishment, recovery, and prosecution of UI overpayments made to claimants. As of September 2022, ID consisted of 38 full-time staff and 38 limited-term staff scheduled through September 30, 2023. ID is composed of the Benefit Payment Control (BPC) and two investigation sections.

From March 15, 2020 through December 31, 2022, UIA paid \$40.0 billion in unemployment compensation (UC) claims to 2.5 million individual claimants. UIA confirmed intentional misrepresentation for 2,314 claimants between January 2020 and December 2022 and reported 158 individuals were charged with UI fraud as of July 31, 2023.

This audit report is the fifth and final of a series of audit reports on UIA claims processing during and after the COVID-19 pandemic.

Audit Objective			Conclusion
Objective: To assess the sufficiency of UIA's efforts to identify and investigate potential claimant fraud.			Not sufficient
Findings Related to This Audit Objective	Material Condition	Reportable Condition	Agency Preliminary Response
UIA undercalculated fraud penalties by at least 49.4% because it did not address programming issues with its Michigan Integrated Data Automated System. In addition, the opportunity may exist for UIA to assess an additional \$840 million in fraud penalties (Finding 1).	X		Partially agree

Findings Related to This Audit Objective (Continued)	Material Condition	Reportable Condition	Agency Preliminary Response
<p>For the claims we reviewed, ID did not:</p> <ul style="list-style-type: none"> • Attempt to identify 70.0% of the individuals filing UC claims using others' identities (imposters). • Attempt to recover 96.7% of related payments or assess fraud penalties. • Refer 90.0% of the fraudulent claims to law enforcement. <p>The three-year window for UIA to address fraudulent payments excludes cases of suspected identity theft, and therefore, UIA could still take action on these claims (<u>Finding 2</u>).</p>	X		Partially agree
<p>Between January 2020 and October 2022, UIA made \$245.1 million in potentially improper payments to individuals who were incarcerated, deceased, or residing in long-term care facilities; UIA contract or LEO employees; or those above and below the typical working age. UIA did not identify and/or took no action to assess the appropriateness of these payments. UIA paid at least \$1.7 million to claimants even after determining they were incarcerated or deceased (<u>Finding 3</u>).</p>		X	Partially agree
<p>BPC did not always follow up with the nonresponsive employers and claimants it identified in new hire crossmatches. Also, it sometimes discarded or closed issues without conducting required investigation or fact finding to determine the appropriateness of payments to claimants who appeared to be ineligible (<u>Finding 4</u>).</p>		X	Partially agree

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