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State unemployment agency to review more claims of benefits fraud

Review includes additional 30,000 computer-generated claims

The more than 30,000 claims that until now have not been re-examined will be reviewed after criticism from state auditors and a Michigan congressman that the practice was highly inaccurate.

By [Lindsay VanHulle](#)

LANSING — The state's embattled unemployment agency said Friday it will review all computer-identified claims of benefits fraud — more than 30,000 — that until now have not been re-examined after criticism from state auditors and a Michigan congressman that the practice was highly inaccurate.

The **Michigan Unemployment Insurance Agency** said the fraud findings occurred from 2013 to 2015, when it launched an automated system to determine fraudulent claims. The agency hasn't relied solely on a computer system to identify possible fraud cases since August 2015, and now includes staff members in the review process.

News of the additional reviews comes a day after the state's **Talent Investment Agency** said **it will perform a top-to-bottom restructuring of the unemployment office**, which it oversees — including reassigning its director, Sharon Moffett-Massey, and launching a national search for her successor.

"We are being as thorough as possible in reviewing potential fraud determinations because we want to be fair to people filing claims, but also continue to be vigilant against fraud, which hurts everyone," said Wanda Stokes, director of the Talent Investment Agency, in a statement.

Bruce Noll, the talent agency's legislative liaison who is leading the unemployment agency on an interim basis, has started the process, Stokes said. About 7,000 of the roughly 30,000 cases already have been reviewed, the talent agency said Friday.

U.S. Rep. Sander Levin, D-Royal Oak, has been one of the most vocal critics of the agency's reliance on automated fraud determinations. In December, Levin **released data from the state unemployment agency**, which indicated it reviewed 22,427 cases of fraud determinations out of a total 53,633 cases made by a computer system between October 2013 and August 2015. Of those reviewed, just 1,462 — or slightly less than 7 percent — were confirmed fraud cases, Levin said.

The agency's review returned \$5.4 million to more than 2,500 claimants, data show.

In a February 2016 report, Auditor General Doug Ringler found that fraud was discovered in just 8 percent of appealed benefits claims.

In a statement Thursday, Levin said Stokes' restructuring changes were "long overdue."

He said Friday he was "very pleased" to hear of the planned fraud reviews, adding: "It is important that the Talent Investment Agency has announced a full review of all cases to ensure that anyone wrongly accused of fraud is made whole and has their record corrected."

More challenges ahead

Despite the additional oversight, a spotlight will continue to shine on the unemployment agency as it tries to

fix problems of fraud and poor customer service.

A potential class-action lawsuit is awaiting oral arguments in the **Michigan Court of Appeals**, alleging the state garnished wages and seized tax refunds on behalf of tens of thousands of plaintiffs falsely accused of benefits fraud.

And Gov. Rick Snyder has just days remaining to sign two bills on his desk related to the agency, including one that would approve the transfer of \$10 million from a fund containing money for the unemployment agency to the state's general fund for the fiscal year that started Oct. 1. Opponents of that bill say they want him to veto it on the grounds that the money was wrongly taken from jobless workers, citing the untested cases.

Still, Stokes' three-point reform plan — which will make customer service and fraud prevention priorities — is a step toward resolving longstanding complaints, say some business groups and attorneys who have called attention to problems inside the agency.

Ringler, in an **April audit**, found that the unemployment agency failed to answer nearly 235,000 phone calls — 89.1 percent of all calls placed — during business weeks that ended Aug. 22, 2014, and Sept. 22, 2014. Callers gave up on nearly 29 percent of the calls while waiting to be connected with an employee — despite phone upgrades made since 2011, auditors said.

The unemployment agency said those numbers were call attempts, not unique callers; 48 percent of unique calls were unanswered in the selected weeks. The agency also said the unanswered volume improved to 21 percent of total unique calls during the corresponding weeks of 2015.

Employers in Michigan, who pay unemployment taxes to support the system that pays benefits to jobless workers, say they, too, have had trouble connecting to a live person on the other end of the phone line.

"Once we can get the person to the right person at the agency, we've found that they often get what they need," said Wendy Block, director of health policy and human resources for the **Michigan Chamber of Commerce**. "We are encouraged by the changes that were announced ... simply because they are focused on customer service."

Block said she believes the restructuring signals the agency is serious about addressing the problems. She hopes its new leadership will focus on preventing identity theft, another contributor to fraudulent claims. The departure of Moffett-Massey, who led the Unemployment Insurance Agency since 2014, could lead to other administrative changes as Stokes overhauls the agency's operations. She soon plans to update a phone switchboard system to reduce wait times for callers.

Stokes said companies needing information about filing taxes or resolving other issues should expect improvement in the agency's availability and timeliness going forward.

The agency says about 213,000 employers contribute to the system, which collects about \$1.4 billion annually in unemployment taxes. It paid more than \$1 billion in benefits on more than 600,000 claims in the 2014 fiscal year, according to audit reports.

Focus on fixing problems

Stokes, who moved to the talent agency from the **Michigan Department of Licensing and Regulatory Affairs** in July, said she spent three to four months examining the unemployment agency, visiting offices and talking to hundreds of staffers to learn more about the organization's challenges.

Her plan will focus on improving customer service via phone, online and in person, including updating signs at agency offices; increasing internal efficiency, transparency and accountability; and working to protect unemployed residents filing claims and employers who pay taxes into the system both from fraud and being wrongly accused of fraud.

"How can we do it better?" she said in an interview this week. "That's been my focus, and this is a result of what I've seen so far. It's the right time to make this decision and to start moving ahead."

She added: "Not to place blame, not to talk about what happened in the past, but identify what those problems are and then fix them."

Jennifer Lord, an attorney with **Pitt, McGehee, Palmer & Rivers PC** in Royal Oak and the lead attorney on

the potential class-action case in the state appeals court, said she wants the state to freeze any action that might take money out of the so-called "contingent fund" that includes unemployment funds and put it into the state's general fund until the agency knows for certain whether there are more false allegations of fraud. Senate Bill 1008, which would approve that transfer, is pending on Snyder's desk. Snyder spokeswoman Anna Heaton said the governor has not yet completed a full review of the bill.

Lord contends the funds don't belong to state taxpayers and should not be used to balance the budget. She said she is awaiting a date for oral arguments in the Court of Appeals related to a pending class-action lawsuit that could include an estimated 60,000 plaintiffs. The case originated in the **Michigan Court of Claims**.

"I hope it's a step in the right direction," Lord said of Stokes' restructuring plan. "There are clearly still massive, massive problems at the agency."

Snyder also has not yet signed a bill that passed unanimously in the House and Senate that would prevent the state from determining fraudulent claims without first being reviewed by a person.

Heaton said Snyder likely will sign it, "given that it codifies changes the UIA has already made to improve the unemployment system."

Anticipated changes

The agency also will change the way it accounts for uncollected unemployment taxes, Stokes said.

Previously, a decision on whether an employer's taxes could be collected — particularly in cases when a company has gone out of business or left the state — didn't always occur, she said. That led to inaccurate accounting for tax revenue that never was going to be collected.

About 20 percent of anticipated tax collections were written down as uncollectable as part of this process, an agency spokesman said. Going forward, the agency will look at those cases on a quarterly basis and decide annually whether that money will be received, Stokes said.

Moffett-Massey will work on special projects within the Talent Investment Agency, including work with **Michigan Works** agencies, Stokes said. A new unemployment director is expected to be hired this year. Moffett-Massey earns \$139,800; the range for the director position is \$113,000 to \$143,000, according to the agency.

"We're making some changes that are going to allow us to use her talents and skills in a better way and we're going to get some fresh eyes on the organization," Stokes said in an interview. "I'm going to allow the new person to come in and take a look at our structure, look at how we're doing things, and then make the appropriate adjustment so that we're doing our job the best way that we can."

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