

Department of Workforce Development
Secretary's Office
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Tony Evers, Governor
Caleb Frostman, Secretary

August 14, 2020

Senator Robert Cowles, Co-Chair Joint Legislative Audit Committee
Room 118 South, State Capitol
Madison, WI 53702

Representative Samantha Kerkman Co-Chair Joint Legislative Audit Committee
Room 315 North, State Capitol
Madison, WI 53702

Dear Co-Chairs Cowles and Kerkman:

I am writing to update you on the status of the Department of Workforce Development's (DWD's) efforts to implement the Legislative Audit Bureau's (LAB's) recommendations contained in its limited-scope review of DWD's reported overpayment of certain Unemployment Insurance (UI) program benefits in late April 2020 (Report 20-5). Our efforts are outlined below.

LAB Recommendations and Results

- ✓ ***Determine and report on the number of individuals to whom it overpaid program benefits on April 28 and April 29 and the amounts it overpaid them.***

As of August 13, 2020, the Department has determined 3,981 claimants received overpayments totaling \$2,429,976. This captures overpayments from April 28-30, 2020.

- ✓ ***Pay individuals the program benefits they were entitled to receive but that they may have been underpaid because of the actions taken on April 30, as well as recover any overpayments made on April 28 and April 29 but that it has not yet attempted to recover.***

The Department has processed 10,005 payments, totaling \$986,592, to 3,354 claimants who were entitled to receive program benefits but were underpaid because of the actions taken on April 30.

The Department is holding payments totaling \$24,610 for the remaining 117 claimants. These claimants now have additional holds or overpayment determinations added some time after April that must be adjudicated to determine whether an underpayment is still owed. Once a claimant's issues are adjudicated, the Department will pay any benefits for which the claimant is eligible.

The Department completed the first group of overpayment corrections on Friday, August 7, 2020. The Department corrected records for 8,075 payments to 2,742 claimants who received a combined \$645,514.00 in overpayments. UI Systems and Processing staff began processing overpayment decisions for this group of impacted claimants on Saturday, August 8, 2020. Once an overpayment

decision is created, a notification is sent to the claimant explaining the overpayment and the fact that it must be repaid. Overpayments may be recouped by a full payment by the claimant, taking a percentage of future UI payments, or a payment plan agreed upon by the claimant and UI. There is also a 28-day appeal period. The last resort is that the outstanding overpayment is referred to UI collections.

DWD is in the process of reviewing the processes needed to remedy the remaining overpayments. The remaining overpayment corrections represent more complex issues than the initial group of overpayments that require careful analysis to ensure accurate corrections. The Department will correct the database payment records for the remaining impacted accounts and add a comment that explains the reason for the corrections. DWD UI staff will then review and process the overpayment decisions.

✓ ***Modify its policies to require it to verify that the payment files include benefit payments that should be made on a given day.***

As shared by the LAB, DWD adopted the Unemployment Insurance Benefit Payment Processing Integrity Policy following the April overpayment incident. The Department published the policy on the DWD Intranet Work Web and has provided expectations about the procedures described in the Policy to all staff responsible for managing, supporting, and reviewing daily payment processing tasks. As recommended by the LAB, the Policy has been updated to require that payment files include all designated benefit payments for each day.

In conditions where a discrepancy is reported during pre-transmission verification, as per the Policy, remedial actions require approval from DWD Secretary's Office. Governance and oversight for Policy compliance is provided by DWD Secretary's Office.

The Department is currently following this policy and is assessing how to eventually automate the process. DWD also continues to review ways to improve validation procedures.

Thank you for the opportunity to share our efforts to resolve issues related to payments made April 28-30, 2020. We will continue to monitor and improve our existing structure with the intent of delivering timely and appropriate payments to eligible UI claimants. If you have any questions regarding this response, please feel free to contact me.

Sincerely,



Caleb Frostman
Secretary