



GRETCHEN WHITMER  
GOVERNOR

STATE OF MICHIGAN  
DEPARTMENT OF LABOR AND ECONOMIC OPPORTUNITY  
LANSING

SUSAN CORBIN  
ACTING DIRECTOR

November 25, 2020

Ms. Tricia L. Foster  
Chief Operating Officer  
Office of Governor Gretchen Whitmer  
111 S. Capitol Avenue  
Lansing, MI 48933

Dear Ms. Foster:

As the State of Michigan has worked to provide assistance to families, businesses, and communities impacted by the COVID-19 pandemic, the Unemployment Insurance Agency (UIA) has been playing a critical role in providing support that is a lifeline to workers who lost income this year. The Agency has processed 2.8M unique claims since mid-March, handling as many claims in seven months as it would normally see in six years. To distribute funds to eligible claimants, UIA had to implement new federal programs while under unprecedented pressure to quickly make payments to the millions of Michigan residents who found themselves without income during a public health crisis and while being targeted by sophisticated criminal organizations looking to defraud the state.

In an effort to be an effective steward of public funds, the Department of Labor and Economic Opportunity used a competitive procurement process to select Deloitte to lead a cybersecurity and forensics assessment and a review of the agency's technical program management efforts to balance expedient payment with program integrity. In an effort to be as transparent as possible with the public, LEO is making the results of this investigation public. Both LEO and UIA leadership agree with the conclusions reached by Deloitte in the report transmitted at the end of their investigation, that several organizational, policy, and technology issues coupled with historical claim volume and other external challenges had an impact on the Agency's ability to identify fraudulent claims. The department notes that the report concluded that UIA has not only addressed the specific findings of the investigation but has also taken additional steps to enhance its fraud risk management capabilities. Deloitte has provided tremendous value, both in helping UIA to assess vulnerabilities and in helping the Agency close them. The investigation process and ongoing dialog with the investigation team has also provided a helpful perspective for considering tradeoffs between fraud prevention and claimant service level long term as the Agency considers additional organizational changes and opportunities for operational improvement.

## **Summary**

The report identified seven specific organizational, policy, and technology areas that had an impact on UIA's ability to identify and manage fraudulent claims:

### *Organization*

In response to the unprecedented volume of claims being received, UIA temporarily reassigned key personnel on the UIA Investigations team to help issue timely payments to eligible claimants. UIA also brought on contractors to answer claimant phone calls, conduct fact finding, and resolve simple adjudication issues. While these organizational changes were consistent with steps taken in other states, they both likely contributed to fraud exposure. To address these changes, the report cites several specific steps already taken by UIA to provide greater organizational focus on fraud detection and improved onboarding and management of contractors.

### *Policy*

In March, UIA suspended first-payment review on claims, commonly referred to as the "10-day hold requirement." The purpose of the first-payment review is to permit employers time to review initial unemployment claims filed by their employees. While first-payment review had the impact of slowing down payments to legitimate claimants, particularly those filing under PUA who don't have a traditional employer, it also served as an opportunity to identify potentially fraudulent claims in the traditional state UI program. To address this finding first-payment review was reinstated for all new claims beginning in September.

Normally, claimants must submit an initial claim within 14 days of unemployment with no option to establish good cause for filing late. The CARES Act required states to backdate PUA claims to the date on which the claimant self-certifies that they lost income due to COVID-19, without respect to good cause for late filing. UIA permitted the same for traditional state UI claims, which was not required by law. To address this finding (and consistent with a recommendation from the U.S. Department of Labor), UIA implemented a benefit payment review for all backdated claims in June and implemented new procedures and provided additional guidance for and review of claims backdated more than four weeks beginning in October.

In May, UIA stopped payment to 340,000 claims that had been previously paid and 300,000 claims that had not yet been issued payment because of difficulty verifying those claimants' identities. At typical pace of manual adjudication, resolving identity verification issues on 640,000 claims would take at least twelve months. In consideration of the great economic need, UIA made temporary procedural changes to its identity verification process which increased the risk of fraudulent payments being made. While these changes were always intended to be temporary, this finding was addressed when the changes were discontinued in July. Resolution of identity verification issues again consists of manual review of supporting documentation, according to standard operating procedures.

### *Technology*

UIA has a number of methods for detecting potential fraud, including a technology platform called Fraud Manager which automatically screen claims for additional review. Because of a sequencing error introduced by a system developer, from April 5, 2020 until May 19, 2020 it was possible for a claim to be filed, certified, and a first payment made on the day it was filed before Fraud Manager could process the claim to determine whether there was a need for further review. This finding was addressed when UIA personnel identified the error and Fraud Manager was sequenced to run immediately after claim filing before certifications became available to the claimant.

There are several filters used by Fraud Manager to identify claims for additional investigation or review. In April, many of these filters were removed due to concerns that some filters were incorrectly identifying too many legitimate claims for review. This finding was addressed in the period beginning on May 22, 2020 through June 29, 2020 when these filters were reactivated, and additional filters added.

### **Impact**

The scope of fraud and improper payments during the COVID-19 crisis, in Michigan and across the country, is expected to be significant. Former DOL Inspector General Scott Dahl has testified that in an average year fraud typically comprises about 3% of UI benefit payments nationally and that improper payments typically represent about 10% of UI benefit payments nationally. This analysis, along with UIA's own partial audits were the basis for UIA's disclosure in May that the Agency expected exposure to be "hundreds of millions."

Dahl also testified that DOL OIG expected rates of fraud and improper payments to be higher during the COVID-19 crisis than during an average year, in part because the unprecedented volume of claims filed created a strain on state resources and a perfect storm for criminal actors. Additionally, DOL OIG has found that CARES Act programs are structurally vulnerable to fraud and improper payments due to the fact the Pandemic Unemployment Assistance (PUA) benefits were designed to assist workers who do not qualify for traditional unemployment benefits, and required states to allow these workers to self-certify their own eligibility. PUA and the Federal Pandemic Unemployment Compensation (FPUC) provided a \$600 per week supplemental benefit paid to all recipients and required that state UI agencies backdate claims making the programs uniquely attractive to criminals.

A final determination as to magnitude of exposure is unlikely to be available until all instances of high-risk payments and credible reports of fraud are manually investigated. Because the Agency has paid out over \$26B in benefits since this unprecedented crisis began in early March, a manual audit of every potentially fraudulent claim is not feasible at this time. However, based on its best estimates, UIA expects impostor fraud to be consistent with the estimate LEO disclosed in June that losses will be in the "hundreds of millions." It should be noted that many of these

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losses correspond with claims filed under PUA and therefore involve federal funds appropriated by the CARES Act, which accounts for \$20.5B of the benefits paid out since March and do not impact the health of Michigan's Unemployment Trust Fund.

### **Conclusion**

In sum, while the decisions cited in this report were made in consideration of a balance between fraud prevention and timely payment to eligible claimants, UIA agrees with Deloitte's assessment that policy, technological, and organizational changes increased the Agency's exposure to fraud. Review of Deloitte's report is instructive for UIA in terms of mistakes to be avoided in the future. Deloitte delivered the insights that UIA sought in constructing the original scope of work, and UIA would like to thank them for their partnership over the last several months.

Unemployment insurance benefits have provided a crucial economic lifeline to millions of workers in Michigan. LEO is releasing the contents of this report in the interest of transparency. It is appropriate that policymakers and the public can have confidence in the efforts that UIA is taking to appropriately balance the dire need for timely support with the public's interest in preventing criminal theft.

Sincerely,

A handwritten signature in blue ink that reads "Susan R. Corbin". The signature is written in a cursive style and is positioned above the typed name and title.

Susan R. Corbin  
Acting Director

Enclosure

cc: Michelle Lange



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**CONFIDENTIAL**

November 25, 2020

Susan Corbin  
Acting Director  
State of Michigan Department of Labor and Economic Opportunity

Liza Estlund Olson  
Acting Director  
State of Michigan Unemployment Insurance Agency

Re: State of Michigan Unemployment Insurance Agency Forensic Review

Pursuant to the Financial Accounting, Integrity Oversight and Auditing change notice dated July 1, 2020 between the State of Michigan (“SoM,” “Michigan,” or the “State”) and Deloitte & Touche LLP (“Deloitte”), please find the results of the Chronology of Key Fraud Risk Management Events Report below. The report documents the chronology of facts and events related to the State’s efforts to identify and respond to fraud risks associated with the handling of unemployment insurance claims, which spiked in response to the economic crisis brought on by the novel coronavirus, COVID-19 (“COVID-19” or the “Pandemic”).

The report consists of a summary of Deloitte’s key observations, made from July 7, 2020 through October 23, 2020, of State procedures conducted from March 10, 2020 through October 23, 2020. As described herein, these observations are based on information and data provided by the State, as well as discussions with relevant State management and personnel.

Procedures used to develop this report were performed in accordance with the American Institute of Certified Public Accountants’ (“AICPA”) Statement on Standards for Consulting Services. Our procedures did not constitute an audit conducted in accordance with generally accepted auditing standards, an examination of internal controls, or other attestation or review services in accordance with standards established by the AICPA, the Public Company Accounting Oversight Board or any other regulatory body.

Report findings and observations are based upon information provided to Deloitte as of October 23, 2020. Deloitte did not test the veracity of the information and data provided by the State. The sufficiency of the scope of procedures performed is solely the responsibility of the State. Consequently, Deloitte makes no representation regarding the sufficiency of the scope of procedures performed and reserves the right to amend this report if additional information relevant to our findings and observations becomes available. During Deloitte’s procedures, particularly fact-finding interviews with relevant personnel, it is possible that varying explanations and opinions may have been provided as to the potential rationale for (and level of agreement with) certain organizational, policy, and system changes documented throughout this report, as well as the potential implications of those changes. Throughout this report, Deloitte has endeavored to include only a factual (but not separately verifiable by Deloitte) summary and chronology of events based

on data and information provided by the State's Unemployment Insurance Agency ("UIA") – an agency within the Michigan Department of Labor and Economic Opportunity ("LEO").

This confidential report is intended solely for the information and use of the State and is not intended to be and should not be used by anyone else for any other purpose. With the exception of complying with applicable Freedom of Information Act laws, this confidential report should not be disclosed, quoted, copied, published, or used in whole or in part without the express written consent of Deloitte. This confidential report must be read in its entirety, and we are not responsible for any portion of this report that is selectively quoted or otherwise used in isolation or any summary or paraphrasing of the report that is prepared by others.

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*NOTE: Refer to Appendix 1 for a listing of individuals referenced throughout this report (including full names and titles).*

## **I. Background on the pandemic and the State's response**

On March 10, 2020, the State of Michigan's Governor's Office issued Executive Order ("EO") 2020-4, which declared a state of emergency across the State in response to the health crisis brought on by COVID-19.<sup>1</sup> On March 13, 2020, the President declared a national emergency due to COVID-19 effective March 1, 2020.<sup>2</sup> Subsequently, beginning on March 16, 2020, the State imposed limitations and restrictions on public places, including the closure of schools, restaurants, bars, theaters, gyms, casinos, and other "places of public accommodation."<sup>3</sup>

On March 18, 2020, the President signed into law the Families First Coronavirus Response Act ("FFCRA"), "requiring certain employers to provide employees with paid family and medical leave or paid sick leave for specified reasons in response to COVID-19."<sup>4</sup> On March 27, 2020, the Coronavirus Aid, Relief, and Economic Security ("CARES") Act was signed into law, which expanded states' ability to provide unemployment insurance for workers impacted by the Pandemic.<sup>5</sup> In particular, separate and apart from standard unemployment insurance ("UI"), the CARES Act provided funding for special Pandemic Unemployment Assistance ("PUA") for a period of up to 39 weeks and associated Federal Pandemic Unemployment Compensation ("FPUC").<sup>6</sup> In Michigan, qualified UI and PUA applicants were eligible for an additional \$600 a week in FPUC for the weeks between March 29, 2020 through July 25, 2020.<sup>7</sup>

Concurrent with the Pandemic, Michigan's unemployment rate increased from approximately 3.6% in February, 2020 to 24.0% in April, 2020.<sup>8</sup> From March 15, 2020 through October 23, 2020, UIA received approximately 3.8 million claims filed for unemployment, which exceeded the previous six years combined.<sup>9</sup> During the same period, UIA paid over \$22.9 billion to claimants, averaging over \$716 million in payments a week.<sup>10</sup>

As a result, UIA implemented a series of organizational, policy, system, and internal control changes that (based on interviews as well as a review of relevant documents) were designed to prioritize the payment of unemployment compensation benefits or, in the words of Mr. Gray, to help UIA "get money out the door faster."<sup>11</sup> For example, within Michigan all UI claims are run through UIA's "Fraud Manager" system – a technology platform that automatically screens claims data against certain defined risk criteria/checks to identify potential anomalies or indicators of potential fraud (e.g., address anomalies).<sup>12</sup> While the Fraud Manager screening had historically occurred prior to payments being made, as an unintentional byproduct of the implementation of certain changes beginning on March 31, 2020 (as explained in greater detail in Section IV.F of this report), claims could effectively be filed and paid on the

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<sup>1</sup> SoM Executive Order No. 2020-4.

<sup>2</sup> <https://www.whitehouse.gov/presidential-actions/proclamation-declaring-national-emergency-concerning-novel-coronavirus-disease-covid-19-outbreak/>.

<sup>3</sup> SoM Executive Order No. 2020-09.

<sup>4</sup> <https://www.dol.gov/newsroom/releases/whd/whd20200325>.

<sup>5</sup> <https://www.dol.gov/coronavirus/unemployment-insurance>.

<sup>6</sup> [https://www.michigan.gov/documents/leo/Fact\\_Sheet\\_172\\_-\\_Pandemic\\_Unemployment\\_Assistance\\_4-2020-sec\\_686888\\_7.pdf](https://www.michigan.gov/documents/leo/Fact_Sheet_172_-_Pandemic_Unemployment_Assistance_4-2020-sec_686888_7.pdf).

<sup>7</sup> [https://www.michigan.gov/leo/0,5863,7-336-94422\\_97241\\_98585\\_98650-523035--,00.html](https://www.michigan.gov/leo/0,5863,7-336-94422_97241_98585_98650-523035--,00.html).

<sup>8</sup> U.S. Bureau of Labor Statistics, "Michigan Economy at a Glance" (<https://www.bls.gov/eag/eag.mi.htm>).

<sup>9</sup> Payment Summary\_Jan 1 through Aug 31\_10.2.20.xlsx; <https://www.detroitnews.com/story/business/2020/09/03/michigan-unemployment-claims-since-march-equal-prior-6-year-total/5701548002/>.

<sup>10</sup> Payment Summary\_Jan 1 through Oct 31\_11.10.20.xlsx.

<sup>11</sup> May 13, 2020 testimony by Mr. Gray to Michigan House of Representatives Joint Select Committee on the COVID (<https://www.house.mi.gov/SharedVideo/PlayVideoArchive.html?video=JSCCOVID19-051320.mp4>).

<sup>12</sup> Note that Deloitte did not test the functionality or veracity of the Fraud Manager system, but rather relied on explanations about its functionality as provided by the State.



same day – prior to running through Fraud Manager. Additionally, while the Fraud Manager screening had historically included numerous risk criteria/checks, due to a series of system modifications beginning on April 13, 2020 (as explained in Section IV.G of this report), the system’s functionality was relaxed to remove all but one of the existing checks, which remained functional, along with other checks performed outside of Fraud Manager.

The statistical data suggests that UIA moved quickly in approving and processing unemployment insurance claims relative to other states. According to Mr. Gray’s May 13, 2020 legislative testimony before the Michigan House of Representative’s Joint Select Committee on the COVID-19 Pandemic, Michigan was ranked second among states in percentage of claims resolved and ranked third in percentage of claims paid.<sup>13</sup> At the same time, it appears that UIA’s perceived need to prioritize speed sometimes took priority over obtaining consensus and implementation direction among the UIA leadership team.

Based on discussions with UIA personnel, it is understood that UIA was receiving pressure to expedite payments from numerous directions within the State, including lawmakers. For example, on June 4, 2020, a letter was sent to the Governor from 20 Michigan state representatives that “[requested] the replacement of the Unemployment Insurance Agency leadership team” as there “[needed] to be some accountability for the department and [they needed] to get... benefits to the people of Michigan.” Specifically, the letter noted, “When the [Pandemic] first started the legislature was told cases would have a response within four to seven days, then it was moved to ten business days and finally to three to four weeks. This is unacceptable.” Further, the letter cited a “website [that was] specifically designed to expedite the UIA claims which has been a total disaster.”<sup>14</sup> As in other states, media coverage of UIA’s challenges to make payments in a timely manner has been consistent since the beginning of the Pandemic as a result of the dramatic rise in unemployment claims.<sup>15</sup>

## **II. Identification of the rise in potential internal and external fraud**

As the Pandemic continued during the second quarter of 2020, a series of indicators of potential internal and external fraud began to be identified – both within the UIA system, as well as unemployment agencies in other states around the country.

On May 14, 2020, the U.S. Secret Service advised states of a well-organized Nigerian fraud ring exploiting the Pandemic to commit fraud against various state UI programs. The alert noted that: “individuals residing out-of-state are receiving multiple ACH deposits..., all in different individuals’ names with no connection to the account holder. A substantial amount of the fraudulent benefits submitted have used PII from first responders, government personnel and school employees. It is assumed the fraud ring behind this possess a substantial PII database to submit the volume of applications observed so far.”<sup>16</sup>

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<sup>13</sup> May 13, 2020 testimony by Mr. Gray to Michigan House of Representatives Joint Select Committee on the COVID (<https://www.house.mi.gov/SharedVideo/PlayVideoArchive.html?video=JSCCOVID19-051320.mp4>).

<sup>14</sup> June 4, 2020 letter to Governor Whitmer signed by the following state representatives: Luke Meerman, Gary Howell, Daire Rendon, Sue Allor, Sarah Lightner, Annette Glenn, Jeff Yaroch, Gary Eisen, Brad Paquette, Beau LaFave, Doug Wozniak, Eric Leutheuser, Michele Hoitenga, Tommy Brann, Steve Johnson, Matt Maddock, Beth Griffin, Greg Markkanen, Steve Marino, and Karen Whitsett.

<sup>15</sup> <https://www.detroitnews.com/story/news/local/michigan/2020/05/27/michigan-unemployment-agency-fraud-claims/5272015002/>; <https://www.bridgemi.com/michigan-government/michigan-unemployment-system-designed-slow-payments-working-all-too-well>; <https://wwmt.com/news/local/fraud-investigations-system-glitches-delay-unemployment-payments>.

<sup>16</sup> U.S. Secret Service Information Only Alert (GIOG Reference #20-027-1).

Over the following months, several government agencies and national media outlets began reporting on the increased risk of unemployment fraud across the nation as a result of the increased funding under the CARES Act. For example:

- A June 2, 2020 press release issued by the U.S. House of Representatives Committee on Oversight and Reform noted that the rate of improper payments and fraud following the CARES Act would potentially be “much higher” than normal, and estimated that \$26 billion in unemployment insurance benefits “could be wasted instead of going towards legitimate claims.”<sup>17</sup>
- A June 16, 2020 CNBC article noted that “*unemployment identity fraud is skyrocketing*” because “*unemployment benefits are more widely available and have boosted by an extra \$600 per week through July 31, 2020.*”<sup>18</sup>
- On July 6, 2020, the Federal Bureau of Investigation (“FBI”) reported that they had observed “*a spike in fraudulent unemployment insurance claims complaints*” and that “*citizens from several states have been victimized by criminal actors impersonating the victims and using the victims’ stolen identities to submit fraudulent unemployment insurance claims online.*”<sup>19</sup>
- A September 11, 2020 *New York Times* article reported there were “*increasing concerns about extensive fraud in [the PUA] program*” in several states (including Arkansas, California, Colorado, and Michigan), and that a “*growing number of states have signaled that the problems with [PUA] go beyond the routine*” as individuals are increasingly “*exploiting identity theft and vulnerabilities in the system.*”<sup>20</sup>
- A September 16, 2020 CBS News story referred to PUA as a “*hastily-enacted government program designed to help Americans through the pandemic [that] is facing a growing problem with fraud*” that has “*become the target of scammers who steal people’s identities to apply for benefits they are not entitled to.*” The same story referenced unemployment-related fraud schemes in several states, including Pennsylvania, where the Attorney General noted it was “*open season for fraudsters*” as he announced charges against 33 prison inmates and accomplices for defrauding the state’s PUA program.<sup>21</sup>
- A September 17, 2020 NBC News story noted that “*In Colorado, cybercriminals took advantage of the unemployment system so aggressively that over the course of one month, 75 percent of applications were ruled fraudulent. In Pennsylvania, thousands of inmates applied and qualified for benefits before getting caught. In California, officials suspect fraud is behind a recent spike of more than 100,000 extra claims*” and that “*The U.S. Secret Service has launched over 500 investigations in 40 states as part of a multiagency effort to protect taxpayer dollars.*”<sup>22</sup>

Within Michigan, on May 18, 2020, UIA personnel raised concerns in an email exchange about a group of PUA claims that had been paid, but subsequently flagged as potentially fraudulent. For example, Mr. Kolar (UIA’s Head of Investigations until March 26, 2020, a position he resumed on May 22, 2020) identified numerous claims of potential interest, including six PUA claims on the same bank account. An identity verification request was not opened related to these claims by Fraud Manager (which, as previously mentioned and detailed more throughout this report, was running with limited functionality at the time) until May 15, 2020 – after the resulting payments had been released.<sup>23</sup> As a result, UIA stopped

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<sup>17</sup> <https://oversight.house.gov/news/press-releases/subcommittee-briefing-with-dol-ig-highlights-key-oversight-priorities-in>

<sup>18</sup> <https://www.cnn.com/2020/06/16/states-hit-hardest-by-coronavirus-scams.html>.

<sup>19</sup> <https://www.fbi.gov/news/pressrel/press-releases/fbi-sees-spike-in-fraudulent-unemployment-insurance-claims-filed-using-stolen-identities>.

<sup>20</sup> <https://www.nytimes.com/2020/09/11/business/economy/pandemic-unemployment-assistance-fraud.html>.

<sup>21</sup> <https://www.cbsnews.com/news/covid-19-pandemic-unemployment-assistance-fraud/>.

<sup>22</sup> <https://www.nbcnews.com/business/economy/fraudsters-steal-millions-dollars-unemployment-coffers-adding-pain-those-still-n1240304>

<sup>23</sup> Email discussion between Mr. Donofrio, Ms. Corbin, Mr. Kolar, Mr. Gray, Ms. Chrzaszcz, Ms. Berry, Ms. Glidden, Ms. Burns, and Ms. Baiden (Subject: “[Blank]”) dated May 18, 2020.

all outgoing benefits payments on May 19, 2020, and initiated system changes (which were fully implemented that same day) to help ensure that payments (regardless of claim type) would be run through the Fraud Manager system prior to being released.<sup>24</sup> On May 27, 2020, UIA estimated that \$1.5 billion of higher-risk claims (claims that otherwise may have been detected by Fraud Manager) had potentially been paid prior to running through Fraud Manager.<sup>25</sup> Additionally, UIA had identified multiple instances of potential internal fraud by UIA personnel and contractors using their access to UIA procedures and systems to fraudulently approve/disburse millions of dollars in federal and state UI claims to ineligible claimants in exchange for payments and kickbacks.

On June 5, 2020, Michigan's Attorney General announced the creation of the Unemployment Insurance Fraud Task Force (the "Task Force") to "*bring special focus and additional resources to bear in investigating and prosecuting fraud in the unemployment insurance program.*"<sup>26</sup> In addition to the Attorney General, the Task Force was comprised of multiple federal and state agencies including the U.S. Department of Labor ("USDOL"), Michigan State Police, Michigan Department of Management and Budget, Michigan Department of Treasury, and LEO.

### **III. Forensic procedures performed**

As a result of these and other concerns around potential fraud, the State engaged Deloitte through a competitive procurement process to provide assistance with various forensic analyses relating to potential internal/external threats and fraud risk management. As a part of these various analyses, Deloitte was engaged to forensically construct a timeline of key events related to the State's efforts to develop a plan to identify fraud risks during the Pandemic, including the implementation/usage of, and modifications to, the Fraud Manager system, as well as the fraud-related internal controls environment.

To that end, and in agreement with the State, Deloitte conducted various procedures including:

1. Fact-finding interviews with 24 UIA and LEO personnel, including executive leadership;<sup>27</sup> and
2. Review of certain documents, electronic data, and other information as identified/provided by UIA, including, but not limited to, email communications, organizational charts, fraud-related policies and procedures, and federal and state UI guidance.<sup>28</sup>

### **IV. Summary of findings and observations**

As a result of procedures performed, Deloitte and the State identified seven areas – relating to UIA's organizational structure, policy decisions, and technology systems – that had a significant impact on UIA's internal controls environment to identify and manage potentially fraudulent claims activity and insider fraud during the Pandemic.<sup>29</sup> These seven areas are as follows:

#### **Organizational**

1. Changes to UIA's internal organizational structure
2. Significant increase in use of external third-party contractors

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<sup>24</sup> Email from Mr. Kolar to Mr. Gray, Ms. Corbin, Ms. Glidden, and Ms. Berry (Subject: "No Payments This Evening") dated May 19, 2020; SQR 33429.

<sup>25</sup> Discussion with Mr. Anderson (August 12, 2020).

<sup>26</sup> [https://www.michigan.gov/ag/0,4534,7-359-92297\\_99936-531143--,00.html](https://www.michigan.gov/ag/0,4534,7-359-92297_99936-531143--,00.html).

<sup>27</sup> Refer to Appendix 1 for a listing of relevant individuals referenced throughout this report (as well as individuals with whom fact-finding interviews were conducted).

<sup>28</sup> Refer to Appendix 2 for additional detail on the procedures Deloitte performed.

<sup>29</sup> Refer to Appendix 4 for a visual timeline/chronology of the key events (e.g., policy decisions, technology changes) relating to these seven areas.

Policy

3. Changes to UIA's "10-day hold" period for the payment of claims policy
4. Changes to UIA's backdating of standard UI claims and certifications policy
5. Changes to UIA's applicant identity verification requirements

Technology

6. Impact of the sequencing of when UIA's Fraud Manager system was run on new claims (which, as an unintended byproduct of the technological changes related to the removal of the 10-day hold and expanded backdating period, resulted in claims being paid prior to running through the Fraud Manager system checks)
7. Changes to UIA's Fraud Manager system criteria

Across the seven areas listed above (and as summarized in greater detail in this report), there appears to be limited formal internal documentation regarding the final approval of organizational, policy, and technology changes. For example, various interviewees had different understandings as to who had the final decision-making authority for such changes. In addition, from a governance perspective, Deloitte identified instances in which certain internal control changes do not appear to have followed internal UIA policies and procedures during the Pandemic. For example, UIA policy requires that changes in controls and/or technology systems follow a formal Service Quality Request ("SQR") process. As part of this process, a Form 6431 is required to be submitted to document the various levels of review and approval received from relevant UIA personnel. However, of the 18 SQRs referenced throughout this report, no Form 6431 was identified for nine SQRs; rather, these appear to have been requested, reviewed, and approved through other means (e.g., email). Additionally, UIA policy requires that Field Releases be approved prior to their issuance, including the submission of a Form 6004 to document the various levels of approval received from required UIA personnel. Of the six Field Releases referenced throughout this report, no Form 6004 was identified for three (though for these three, executive approval does appear to have been obtained separately via email from either Mr. Gray and/or Ms. Berry).

Further, it is apparent there was a lack of consensus among UIA administrators regarding certain of the changes taking place. For example, on April 3, 2020, Ms. Burns sent an email to several UIA administrators (specifically Ms. Berry, Ms. Abdo, Mr. Hunter, Mr. Kolar, Ms. Baiden and Ms. Pryor) which undertook to summarize a collective concern about the manner in which UIA was modifying its internal controls to detect and prevent fraud. In particular, Ms. Burns noted that UIA was "*pushing forward and relaxing a number of requirements in an effort to get as many paid as possible and to do so quickly,*" and that Mr. Gray had purportedly notified UIA personnel on a call that fraud prevention was not a high priority, which Ms. Burns found "*concerning.*"<sup>30</sup> (It is understood that these UIA administrators collectively decided not to escalate these concerns with Ms. Corbin (LEO Senior Chief Deputy Director);<sup>31</sup> further, during interviews Ms. Corbin indicated she had not previously been made aware of the administrators' concerns or of Mr. Gray's alleged statement.<sup>32</sup>)

As another example, a document dated April 6, 2020, issued by the Michigan Department of Technology, Management, and Budget ("DTMB") (the "DTMB Decision Document 001"), appears to express concern about the various changes that were being requested by UIA (including, but not limited to, those relating to fraud and overpayments) and how additional development and/or testing was needed before fully

<sup>30</sup> Email from Ms. Burns (Subject: "Concern") dated April 3, 2020. While this was reported by several UIA personnel, including Ms. Baiden (August 14, 2020), Ms. Berry (September 4, 2020) and Ms. Burns (August 11, 2020)), during a September 4, 2020 interview, Mr. Gray denied and did not recall making such statements.

<sup>31</sup> Discussion with Mr. Frost (October 21, 2020).

<sup>32</sup> Discussion with Ms. Corbin (October 6, 2020).

implementing the changes. The DTMB Decision Document 001 – which ultimately was not signed by UIA executive leadership – notes that “*an aggressively compressed schedule for the implementation of the [CARES Act] has been created*” and describes the “*significant risks associated with this compressed schedule.*”

A more detailed summary of these seven areas is as follows:

### **Organizational**

#### **A. Changes to UIA’s internal organizational structure**

*Note: Refer to Appendix 3 for a summary of relevant UIA organizational charts prior to and during the Pandemic.*

1. At the LEO executive level, Mr. Donofrio served as the LEO Director, with Ms. Corbin, Senior Chief Deputy Director for LEO, reporting directly to him.<sup>33</sup>
2. At the UIA executive level, Mr. Gray served as Director (reporting to Ms. Corbin, Senior Chief Deputy Director for LEO). Ms. Berry served as Deputy Director (reporting to Mr. Gray).<sup>34</sup>
3. There were six divisions/units that reported to Ms. Berry prior to the Pandemic, including Investigations (led by Mr. Kolar) and Benefits (led by Ms. Abdo). In his role as Head of Investigations, Mr. Kolar managed a team of approximately 75-85 people<sup>35</sup> and also maintained responsibility for fraud risk management, including management/oversight of UIA’s Fraud Manager system.
4. On March 26, 2020, Ms. Berry communicated several organizational changes, including the fact that Mr. Kolar had been “*detailed to a special project within UIA to assist with data for LEO.*”<sup>36</sup> As a result of this change, Mr. Kolar no longer maintained direct oversight/responsibility for fraud risk management or Fraud Manager. Additionally, Ms. Berry’s email explained that effective as of March 30, 2020, the Investigations unit (which was previously staffed with 76 people) would be realigned to the Benefits and Tax unit as well as the Employer Services unit (many to assist with the call center).<sup>37</sup> During interviews, various explanations and opinions were provided by UIA personnel as to the potential rationale for, and level of agreement with, these organizational changes, as well as the potential resulting implications.
5. As a result of this organizational change, from March 30, 2020 through May 22, 2020 (as noted below), UIA’s Fraud Manager system had reduced direct operational oversight, and there was limited investigative capacity or personnel to detect and assess potential irregularities in claims identified. Additionally, during this time (as explained further in Section IV.G of this report), UIA implemented a series of modifications (beginning on April 13, 2020) to relax the functionality of Fraud Manager – specifically removing all but one of the existing fraud checks (which was left on, along with other checks performed outside of

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<sup>33</sup> UI Org Chart 12-2-2019.docx.

<sup>34</sup> UI Org Chart 12-2-2019.docx.

<sup>35</sup> Note, according to the UIA org chart as of December 2, 2019, there were 83 employees in the Investigations division (UI Org Chart 12-2-2019.docx); as of March 8, 2020, there were 76 employees in the Investigations division (UI Org Chart 3-8-20.docx).

<sup>36</sup> Email from Ms. Berry to Ms. Hutchins-Daniels, Ms. Alagna, Mr. Diomande, Ms. Abdo, Mr. Hunter, Mr. Kolar, Ms. Baiden, Ms. Pryor, Ms. Burns, Ms. Dery, Mr. Gray, Ms. Robinson, and Ms. Glidden (Subject: “Temporary Reporting Structure”) dated May 26, 2020.

<sup>37</sup> Note, according to the UIA org chart as of March 8, 2020, there were 76 employees in the Investigations division (UI Org Chart 3-8-20.docx). The Investigations unit is comprised of “Investigations” (with 38 employees managed by Ms. Hutchins-Daniels) and “Collections” (with 36 employees managed by Ms. Alagna). The “Investigations” division was reassigned to Benefits and tasked with assisting with telephones; the “Collections” division was reassigned to Tax & Employer Services (though some “Collections” employees were also tasked with assisting with telephones).

- Fraud Manager). This relaxation was in place until a series of system changes were implemented intending to reinstate Fraud Manager functionality beginning on May 22, 2020.
6. In mid- to late-March, the Benefits Accuracy Measurement (“BAM”) unit – which prior to the Pandemic was responsible for determining the accuracy of paid and denied UI claims – was assigned to assist the Benefits unit due to the high volume of claims.<sup>38</sup> On March 26, 2020, UIA received a waiver from USDOL to suspend BAM cases in response to the Pandemic.<sup>39</sup> Similar to Michigan, it is Deloitte’s understanding that other states reassigned units like BAM to assist with outbound benefits processing during this stage of the pandemic.
  7. On May 18, 2020, UIA personnel raised concerns about a group of PUA claims that had been paid, but subsequently flagged as potentially fraudulent.<sup>40</sup>
  8. On May 22, 2020, the Investigations Unit was re-established and assigned to report to Mr. Kolar, along with responsibility for fraud risk management, including management/oversight of UIA’s Fraud Manager system.<sup>41</sup> Initially at the time of this re-establishment, Mr. Kolar indicated there were approximately 17-20 people now in the Investigations unit, while the remainder of the initial Investigations team continued to assist with the call center.<sup>42</sup>
  9. On June 30, 2020, the State announced the appointment of Mr. Frost as “Special Fraud Advisor,” who was charged with the oversight and monitoring of the overall integrity of UIA and the operational responsibilities for the Fraud/Investigations division.<sup>43</sup>

**Summary of potential implications:** As a result of the above-mentioned changes to UIA’s organizational structure, from March 30, 2020, through May 22, 2020, UIA’s Fraud Manager system had reduced direct operational oversight, and there was limited investigative capacity or personnel to detect and assess potential irregularities that were identified.

**B. Significant increase in use of external third-party contractors**

1. Prior to the Pandemic, UIA contracted with third-party vendors on a limited basis and, thus, did not have a formal policy or process in place regarding the hiring, onboarding/offboarding, and monitoring of third-party contractors.<sup>44</sup>
2. Beginning in early April, the State contracted with three outside vendors (Accenture, Robert Half, and Provalus) to provide contractors to assist UIA with the call center. While UIA initially required 200 contractors from each vendor, due to high call volumes up to approximately 1,800+ contractors in total ultimately were engaged at the peak of the Pandemic across these three vendors.<sup>45</sup> UIA personnel explained that the turnover/attrition rate for third-party contractors during the time of the Pandemic may have been in the range of 30%.<sup>46</sup>

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<sup>38</sup> Discussion with Mr. Wotta (October 13, 2020).

<sup>39</sup> Email discussion between Mr. Wotta, Ms. Berry, Ms. Burns, Mr. Czech, and numerous USDOL representatives (Subject: “Unemployment Insurance Operational Flexibilities during COVID-19 Outbreak”) on March 26, 2020.

<sup>40</sup> Email discussion between Mr. Donofrio, Ms. Corbin, Mr. Kolar, Mr. Gray, Ms. Chrzaszcz, Ms. Berry, Ms. Glidden, Ms. Burns, and Ms. Baiden (Subject: “[Blank]”) on May 18, 2020.

<sup>41</sup> Email discussion between Ms. Berry, Mr. Kolar, Ms. Abdo, Ms. Kratz, Ms. Latona, and Ms. Hutchins-Daniels (Subject: “Reporting Structure for Investigations”) on May 22, 2020.

<sup>42</sup> Discussion with Mr. Kolar (July 24, 2020).

<sup>43</sup> Discussion with Mr. Frost (October 21, 2020).

<sup>44</sup> Discussion with Ms. Berry (September 1, 2020).

<sup>45</sup> Discussion with Ms. Abdo (August 11, 2020); Discussion with Ms. Baiden, Ms. Vanbolden, and Ms. Berry (October 19, 2020).

<sup>46</sup> Discussion with Ms. Berry (September 1, 2020).

- a. On April 2, 2020, Accenture was engaged to provide contractors to support UIA's call center in response to the surge resulting from the Pandemic.<sup>47</sup> Accenture originally provided 212 contractors, which was later supplemented by an additional 110 contractors on July 27, 2020.<sup>48</sup>
  - b. On April 20, 2020, Robert Half was engaged to provide call center assistance. According to Ms. Berry, Robert Half provided approximately 1,500 contractors over the course of the engagement.<sup>49</sup>
  - c. On June 8, 2020, Provalus was engaged to provide call center assistance.<sup>50</sup> UIA requested Provalus provide 200 contractors for a period of three months; however, Provalus was only able to provide approximately 100.<sup>51</sup> The Provalus contract was terminated on August 28, 2020 due to Provalus being unable to provide the required number of contractors.<sup>52</sup>
3. UIA did not perform background checks or due diligence on the individual contractors provided by third parties, but had the expectation the vendors would do so.<sup>53</sup>
    - a. For example, based on discussions with Ms. Berry, during the initial process of determining the agreement with Robert Half, Robert Half indicated it does its own background checks on its workers; however, Deloitte understands the results of those background checks (if completed) were not reported to UIA.<sup>54</sup>
    - b. Based on Robert Half's statement of work with the State, it was noted that Robert Half is *"assuming no required background checks – if background checks are required, [they] can perform them and would adjust pricing as necessary; please understand the difficult environment to complete in many jurisdictions."*<sup>55</sup>
  4. Once the State had engaged with a vendor, and the third-party contractors had been identified, UIA took the following steps to onboard such individuals:
    - a. Ms. Berry indicated the contracting company (e.g., Robert Half) would send her a list of the requested individuals to be onboarded. Ms. Berry would then forward the list to the Agency Services team (i.e., Ms. Vanbolden), the Center for Learning and Development ("CLD") team, and either Mr. Arundel (if contractors were assigned to work on the phones) or Ms. Kratz (if contractors were assigned to work on adjudications).<sup>56</sup>
    - b. Ms. Vanbolden explained she would receive the list of contractors from Ms. Berry with the required system access specified based on the task the individual would be performing. Ms. Vanbolden would then submit the list of individual IDs to provide access to State technology systems. Such lists are maintained in a master spreadsheet by Ms. Vanbolden and Ms. Wiseman and are stored on the State's shared network.<sup>57</sup>
  5. The performance of such contractors was then monitored by the teams/managers to which they were assigned. To the extent a manager was dissatisfied with the performance of a third-

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<sup>47</sup> "SOW-Covid-19 – UIA Contact Center Surge Support for Covid-19," between Michigan Enterprise Call Center and Accenture LLP, effective April 2, 2020.

<sup>48</sup> "SOW-Covid-19 – Change Notice #2," between Michigan Enterprise Call Center and Accenture LLP, effective July 27, 2020.

<sup>49</sup> Discussion with Ms. Berry (September 1, 2020).

<sup>50</sup> Email discussion (and associated attachment) between Ms. Berry, Mr. Anderson, Ms. Abdo, Mr. Gray, Ms. Glidden, Ms. Baiden, Ms. Burns, Mr. Kolar, Mr. Hunter, Ms. Robinson, and Ms. Corbin (Subject: "RE: Committee Prep document/data requests") between June 21, 2020 and June 23, 2020.

<sup>51</sup> "UIA COVID-19 Emergency Planned Expenditures."

<sup>52</sup> Discussion with Ms. Berry (September 1, 2020).

<sup>53</sup> Discussion with Ms. Berry (September 1, 2020); and Discussion with Ms. Abdo (August 11, 2020).

<sup>54</sup> Discussion with Ms. Berry (September 1, 2020).

<sup>55</sup> Robert Half, Statement of Work to Provide Professional Staffing for Caller Services Support to the State of Michigan dated April 20, 2020.

<sup>56</sup> Discussion with Ms. Berry (September 1, 2020).

<sup>57</sup> Discussion with Ms. Baiden, Ms. Vanbolden, and Ms. Berry (October 19, 2020).

- party contractor, they were advised to communicate their request for termination to the vendor.
6. When contractors were offboarded, UIA took the following steps:<sup>58</sup>
    - a. The vendor would notify Ms. Wiseman that an individual required offboarding, and Ms. Wiseman would update the spreadsheet sent to Ms. Vanbolden daily.
    - b. Ms. Vanbolden would then deactivate the individual IDs for exited contractors, which then removed the individual's access to UIA systems and deactivated his/her VPN.
  7. During the months of July and August, two individuals – one contractor from Robert Half and one UIA employee – were charged by the U.S. Attorney's Office for the Eastern District of Michigan. Specifically:
    - a. On July 17, 2020, Brandi Hawkins ("Ms. Hawkins"), a contractor from Robert Half, was charged in a criminal complaint with theft/bribery concerning programs receiving federal funds, wire fraud, and laundering monetary instruments – specifically for *"her alleged role in a multi-million-dollar unemployment insurance fraud scheme aimed at defrauding the State of Michigan and the U.S. Government of funds earmarked for unemployment assistance during the [Pandemic]."* According to the press release from the Department of Justice, *"[b]eginning in April 2020, it is alleged that Hawkins used her insider access to fraudulently release payment on hundreds of fraudulent claims. Hawkins' actions resulted in the fraudulent disbursement of over \$2,000,000 of federal and state funds intended for unemployment assistance during the [Pandemic]."*<sup>59</sup>
      - i. Based on interviews, it is understood that Ms. Hawkins was terminated on June 17, 2020, upon UIA discovering anomalies in claims in which she had resolved potential identity verification and other performance- and fraud-related issues.
      - ii. It was subsequently discovered, on June 30, 2020, that Ms. Hawkins' termination was not properly communicated to the appropriate UIA personnel, and she still maintained (and used) her system access after her termination.
    - b. On August 25, 2020, Jermaine Rose ("Mr. Rose"), a Lead Claims Examiner for UIA, and another individual were charged in a criminal complaint for wire fraud, mail fraud, and theft of government funds – specifically for *"their alleged role in a \$1.8 million unemployment insurance fraud scheme aimed at defrauding the State of Michigan and the U.S. Government of funds earmarked for unemployment assistance during the COVID19 pandemic."* According to the press release from the Department of Justice, *"Rose is alleged to have used his network credentials to override 'fraud stops' on unemployment insurance claims that the State computer system had identified as potentially fraudulent. Rose's actions resulted in the fraudulent disbursement of over \$1.1 million of federal and state funds intended for unemployment assistance during the pandemic. Rose attempted to override another \$761,000 in fraudulent unemployment claims, but the State was able to prevent payment on those additional claims."*<sup>60</sup>

**Summary of potential implications:** The large addition of contractors over a short period of time presented challenges related to maintaining adherence to State policies for onboarding, training, supervising, and offboarding third-party contractors.

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<sup>58</sup> Discussion with Ms. Baiden, Ms. Vanbolden, and Ms. Berry (October 19, 2020).

<sup>59</sup> <https://www.justice.gov/usao-edmi/pr/state-contractor-charged-2-million-unemployment-fraud-scheme#:~:text=Hawkins%20is%20alleged%20to%20have,for%20her%20own%20personal%20gain.>

<sup>60</sup> <https://www.justice.gov/usao-edmi/pr/two-charged-18-million-unemployment-insurance-scam.>



PolicyC. Changes to UIA’s “10-day hold” period for the payment of claims policy

1. Prior to the Pandemic, new unemployment claims were subject to a 10-day hold (or “first payment review”) to allow employers 10 business days to help verify eligibility and respond to/dispute new claims before being released for certification. During this hold period, new applicant claims also were processed through UIA’s Fraud Manager system to identify potential irregularities.
2. On March 18, 2020, UIA started the process to remove this 10-day hold requirement (a change that was fully implemented as of March 31, 2020).<sup>61</sup> On March 19, 2020, UIA issued a Field Release communicating UIA’s changes including (but not limited to) the removal of the 10-day first payment review hold.<sup>62</sup> Official/written instruction or guidance from the federal and/or state government (e.g., UIPL, EO) was not identified relating to, or directing, this change; further the SQR that processed this change did not include a Form 6431 formally indicating the various UIA reviews and approvals received.
3. UIA personnel generally explained the rationale for removing the 10-day hold requirement as being driven by the belief that, during the early days and weeks of the Pandemic, it was not possible or practical to contact employers when many business offices were closed.<sup>63</sup> Because it was believed that employers largely could not be contacted to verify claimant eligibility, the 10-day hold period was perceived to be an obstacle to the expedited release of monies to claimants. Therefore, it was believed that removing the 10-day hold requirement could enable UIA to distribute benefit payments more quickly.

**Summary of potential implications:** As a result of the above-mentioned removal of the 10-day hold requirement, UIA personnel had less ability and time to review claims for eligibility before payments were released. Employers similarly had limited ability to dispute claims filed by their former employees before payments were released. Additionally, as summarized further in Section IV.F below, certain payments could now be made before claims were run through the Fraud Manager system checks.

D. Changes to UIA’s backdating of standard UI claims and certifications policy

1. Prior to the Pandemic, UIA typically required new, additional, or reopened unemployment claims to be filed by the Friday following the end of the week containing an individual’s last day of work. Further, claimants were allowed to “backdate” their initial claims by up to 14 days past the normal filing deadline if the claimant could demonstrate “*good cause for lateness of the filing.*”<sup>64</sup> In other words, assuming good cause was demonstrated, new applications for benefits could be submitted up to 14 days after the Friday following the end of the week containing an individual’s last day of work, and (once the application went through the 10-day hold period and was accepted and certified) benefits would be paid out for the period beginning on (or backdated to) the last day worked.

Figure 1 below is an illustrative example of how the pre-Pandemic 14-day backdating and 10-day hold periods impacted the timeline of when an applicant may start to receive UI benefits (assuming a last day worked of Friday, January 31, 2020, making the first week the applicant is eligible for benefits the week beginning Sunday, February 2, 2020):

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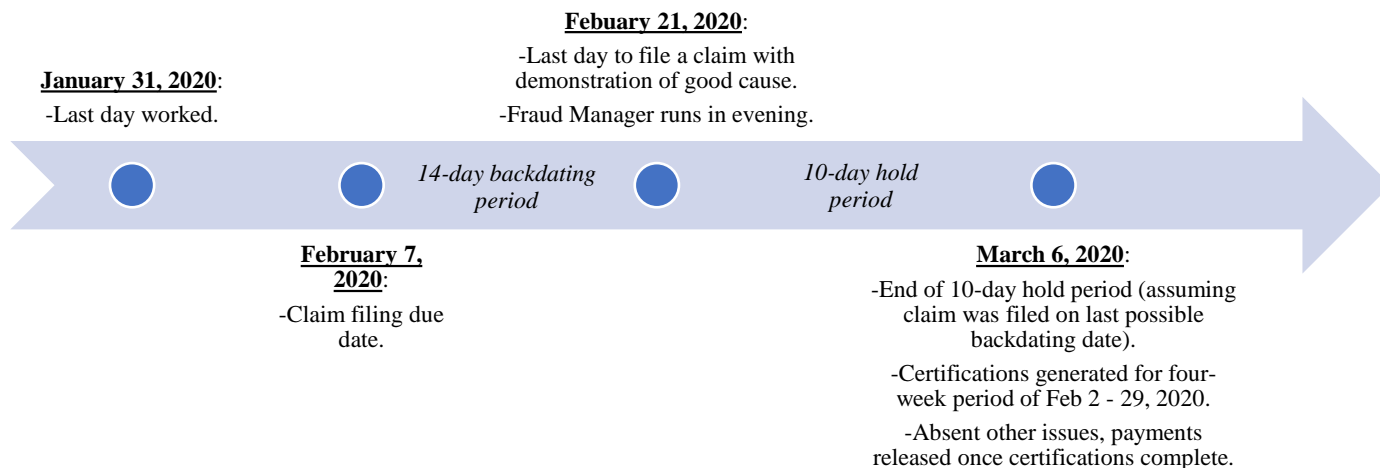
<sup>61</sup> SQR 32815.

<sup>62</sup> *3-19-20 Unemployment Changes as a Result of COVID-19.pdf*.

<sup>63</sup> Discussions with Ms. Heaslip (August 10, 2020), Mr. Anderson (August 12, 2020) and Ms. Berry (September 1, 2020).

<sup>64</sup> Michigan Administrative Code Rule 421.210 subsections (4) through (7); [https://www.michigan.gov/documents/uia/Administrative\\_Rules\\_505959\\_7.pdf](https://www.michigan.gov/documents/uia/Administrative_Rules_505959_7.pdf).

**Figure 1**



2. Following the implementation of the CARES Act – which was signed into law on March 27, 2020 – UIPL No. 16-20 allowed for PUA claims, regardless of their filing date, to be backdated to February 2, 2020.<sup>65</sup>
3. Between March 16, 2020 and April 9, 2020, the State, and specifically UIA, initiated a series of changes to relax its backdating policy for standard UI claims, as well as removed the requirement that applicants demonstrate “*good cause*” for backdating.<sup>66</sup>
  - a. Through Executive Order No. 2020-10 (dated March 16, 2020), the Governor extended the allowable backdating period for standard UI claims for individuals affected by the Pandemic to 28 days by stating that a claim filed for unemployment benefits “*within 28 days of the last day worked must be considered to have filed on time.*”
  - b. Then, UIA expanded Executive Order No. 2020-10 beyond 28 days to allow for standard UI claims to be backdated to March 1, 2020. This expansion was communicated via an internal memo signed by Mr. Gray dated April 8, 2020, titled “*Temporary Suspension of Claim Filing Requirements.*” Within this memo, Mr. Gray notes that “*UIA finds it necessary to expand on the Governor’s Executive Order*” and to “*allow good cause for late claim filing beyond 28 days...until such time as UIA is able to adequately sustain the claim filing volume.*”<sup>67</sup>
  - c. UIA personnel generally explained the rationale for extending the backdating period for standard UI claims as being driven by high call volumes during the early days and weeks of the Pandemic, resulting in UIA call center phone lines and network being overwhelmed and, as a result, claimants experienced difficulty filing claims in a timely manner. Accordingly, it was perceived as a necessary and reasonable accommodation to extend the period of time for which late applications could be considered to be timely filed.
4. Between June 11, 2020 and July 7, 2020, UIA initiated a series of changes to its managerial review of claims.<sup>68</sup> Specifically, on June 11, 2020, UIA initially instituted managerial review

<sup>65</sup> UIPL No. 16-20, Section 4.c.

<sup>66</sup> SQR 32803; SQR 32914; SQR 32999.

<sup>67</sup> *UIA Temporary Suspension of Claim Filing Requirements.pdf*.

<sup>68</sup> SQR 33499; SQR 33707; SQR 33729.

- of all claim payments of greater than four weeks.<sup>69</sup> On June 20, 2020, UIA modified the managerial review threshold of four weeks to be claim payments of \$11,000 or more.<sup>70</sup> On July 7, 2020, UIA, with input from LEO leadership, returned to their initial modification of managerial review of claim payments for more than four weeks, but only for the first claim payment made.<sup>71</sup> It is Deloitte’s understanding that this policy for managerial review of initial claim payments for more than four weeks is in effect as of October 23, 2020.
5. These changes, coupled with the implementation of the CARES Act (which allowed for an additional \$600 of FPUC benefits to both UI and PUA claims for the weeks between March 29, 2020 through July 25, 2020) significantly increased the amount of initial payments that could be paid to new claimants from \$1,448 prior to the Pandemic (four weeks of the Michigan UI cap of \$362 per week, if good cause was demonstrated for late filing) to \$19,450 as of July 25, 2020, pending additional UIA manager review procedures for claims backdated more than four weeks (25 weeks of the maximum PUA payment of \$362 backdated to February 2, 2020 plus 17 weeks of FPUC \$600 payments).

**Summary of potential implications:** As a result of the above-mentioned extensions in backdating allowances, coupled with the implementation of the CARES Act, applicants could now backdate UI claims to March 1, 2020 and PUA claims to February 2, 2020 – which greatly increased the amount of initial payments that could be paid to new claimants (which, as summarized further in Section IV.F below, could be made before claims were run through Fraud Manager system checks).

**E. Changes to UIA’s applicant identity verification requirements**

1. Prior to the Pandemic, UIA policy and procedures designed to prevent and detect imposter fraud provided that when the system opened an ID verification issue on a claim (which can be initiated as a result of either the Fraud Manager system and/or Secretary of State (“SoS”) or Social Security Administration (“SSA”) crossmatch checks), it would generate a Form 6347 “*Request for Information*,” to be sent to the claimant requiring them to provide evidence to establish/verify the claimant’s identity. Depending on the nature of the issue, different levels/types of supporting documents were required to be sent back to UIA for proof of identity *prior to* benefit payments being released (e.g., claimant’s picture ID, social security card, proof of legal name change, passport).<sup>72</sup>
2. On April 9, 2020, in conjunction with the process of removing/relaxing Fraud Manager criteria, UIA started the process of (i) turning SoS crossmatch off given a significant amount of false positives identified in that population, and (ii) auto-clearing ID verification issues created as a result of the SoS crossmatch (a change that was fully implemented as of April 24, 2020).<sup>73</sup>
  - a. The SoS crossmatch would create an issue if a claimant provided a driver’s license number, in which case that information (e.g., first/last name, date of birth, driver’s license number) would be compared to SoS records to identify potential discrepancies. However, this check, as designed, was found to be of limited benefit due to numerous factors, including claimants reporting driver’s license information from other states, claimants incorrectly inputting information from their Michigan driver’s license, and/or differences in name information on file given marriage name changes.<sup>74</sup>

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<sup>69</sup> SQR 33499.

<sup>70</sup> SQR 33707.

<sup>71</sup> SQR 33729; Discussion with Mr. Anderson (August 12, 2020), Discussion with Mr. Whitehead (September 17, 2020).

<sup>72</sup> Unemployment Insurance Benefits Manual Section 8490

<sup>73</sup> SQR 32998.

<sup>74</sup> Discussion with Mr. Kolar (October 7, 2020).

- b. Due to a coding error, the auto-clearing of prior SoS crossmatch ID verification issues resulted in the unintentional payment of claims that not only had been identified by the SoS crossmatch, but also those being held due to SSA crossmatching issues or other Fraud Manager criteria that remained in place.<sup>75</sup>
  - c. As of October 23, 2020, Deloitte understands the SoS crossmatch check has not been reinstated.
3. On April 11, 2020, UIA issued a Field Release as a result of the high volume of ID verification cases being initiated (and limited personnel to follow-up or investigate such cases) to relax ID verification requirements, with personnel saying the process was “invalidated during this time” and that UIA “need[ed] to shut [it] off... in whatever capacity [they] can for the time being” so that “payments can be expedited.”<sup>76</sup> In particular, as opposed to requiring supporting documents to be mailed/faxed in to verify identity, UIA began allowing personnel to release payments and resolve identity verification issues either over the phone or via the MiWAM system.<sup>77</sup>
  4. On May 28, 2020, UIA started making a system change to allow claimants to upload documentation to resolve ID verification issues; this was fully implemented as of June 2, 2020.<sup>78</sup>
  5. On June 5, 2020, UIA issued a Field Release which provided additional detailed instructions for UIA personnel and contractors on how to verify claimants’ identities for both PUA and Non-PUA claims, but still permitted claimants to verify their identities over the phone by correctly answering four of the following five verification questions correctly:
    - a. Date of birth;
    - b. Driver’s licenses or state identification number. If claimant does not have a driver’s license or state identification number, one of the following alternative questions should be answered:
      - i. Number of dependents, or
      - ii. Name of previous employer, separation reason and separation date;
    - c. Current address;
    - d. Telephone number on file; and
    - e. Name and address of current or most recent employer.<sup>79</sup>
  6. Shortly thereafter, on June 7, 2020, Ms. Ciccone and Ms. Alagna raised concerns about the new identity verification process of allowing claimants to verify their identity verbally over the phone without formal documentation to resolve an identity verification issue.<sup>80</sup>
  7. Following an analysis performed by the Benefits division of the results/documentation being uploaded to resolve ID verification issues, UIA began another system change on June 12,

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<sup>75</sup> Email discussion between Mr. Kolar, Mr. Gray, Ms. Glidden, Ms. Abdo, Ms. Berry, Ms. Kratz, Ms. Sparks, Ms. Burns, Ms. Blundell, Mr. Diomande, Ms. Turner-Cavin, Ms. Pryor, Ms. Sayles, Mr. Arundel, and Ms. Dery (Subject: "Confirming UIA 6431 Submission - Director Request") between April 7, 2020 and April 9, 2020.

<sup>76</sup> Email discussion between Mr. Kolar, Mr. Gray, Ms. Glidden, Ms. Abdo, Ms. Berry, Ms. Kratz, Ms. Sparks, Ms. Burns, Ms. Blundell, Mr. Diomande, Ms. Turner-Cavin, Ms. Pryor, Ms. Sayles, Mr. Arundel, and Ms. Dery (Subject: "Confirming UIA 6431 Submission - Director Request") between April 7, 2020 and April 9, 2020; Email discussion between Mr. Kolar, Mr. Gray, Ms. Corbin, and Ms. Ciccone (Subject: "FW: Confirming UIA 6431 Submission - Director Request") between April 22, 2020 and May 21, 2020.

<sup>77</sup> 4-11-20 Field Release Identity Verification Policy.pdf

<sup>78</sup> SQR 33512.

<sup>79</sup> Field Release dated June 5, 2020, titled “NEW UPDATED IDENTIFICATION VERIFICATION POLICY FOR PANDEMIC UNEMPLOYMENT ASSISTANCE AND NON-PANDEMIC UNEMPLOYMENT ASSISTANCE CLAIMS.”

<sup>80</sup> Email discussion between Ms. Alagna, Ms. Ciccone, Mr. Kolar, Ms. Burns, Mr. Williams, Mr. Gray, Ms. Berry, Ms. Abdo, Ms. Corbin, Ms. Glidden, Mr. Anderson, Eric Schweikert, Asif Bhatti, and Sahil Jain (Subject: "FW: FIELD RELEASE ISSUED ON 6-5-20 - NEW UPDATED IDENTIFICATION VERIFICATION POLICY FOR PANDEMIC UNEMPLOYMENT ASSISTANCE AND NON-PANDEMIC UNEMPLOYMENT ASSISTANCE CLAIMS") between June 5, 2020 and June 9, 2020.

- 2020 to auto-clear certain ID verification issues automatically once documentation was uploaded by claimants; this was fully implemented as of June 14, 2020.<sup>81</sup>
8. Additionally, based on an analysis of the fraud rates of various types of ID verification issues, UIA, with input from LEO leadership, began another system change on June 22, 2020 to auto-clear additional ID verification issues with estimated fraud rates of 7-8%; this was fully implemented as of June 29, 2020.<sup>82</sup> During interviews, various explanations and opinions were provided by UIA and LEO personnel as to the potential rationale for (and level of agreement with) the bulk clearing of these issues, as well as the potential resulting implications.
  9. On June 29, 2020, Ms. Abdo emailed other UIA administrators / colleagues (including Ms. Burns, Mr. Gray, Ms. Berry, and Ms. Glidden) indicating that she had been told by Mr. Anderson on a phone call with Mr. Gray, Ms. Berry, Ms. Corbin, Ms. Glidden, and Ms. Abdo that ID verification was to no longer be verified over the phone, but that she had not received any notice of this change to communicate to her team.<sup>83</sup> Ms. Abdo requested that the UIA administrators / colleagues send out an official policy notice regarding the change.<sup>84</sup>
  10. On July 28, 2020, UIA issued a Field Release communicating that identity verification over the phone was no longer allowed, and that claimants must revert to submitting required supporting documents by upload to MiWAM, mail, or fax directly to UIA,<sup>85</sup> a policy that Deloitte understands continues to be in place as of October 23, 2020.

**Summary of potential implications:** As a result of the above-mentioned applicant identity verification requirements, from April 11, 2020 through July 28, 2020, UIA allowed applicants (including those whose claims triggered a potential ID verification issue) to verify their identities over the phone without necessarily requiring relevant supporting documentation to be submitted. In addition, the bulk clearing of ID verification issues performed on April 24, 2020, and June 29, 2020, resulted in the payment of claims that have since been found to have been fraudulent.<sup>86</sup>

## Technology

### F. Impact of the sequencing of when UIA's Fraud Manager system was run on new claims

1. Prior to the Pandemic, UIA's Fraud Manager software was programmed to run the evening of the day in which a claim was filed (i.e., before certifications were generated or payments were released due to the 10-day hold period). The Fraud Manager system would identify potential irregularities associated with the claim based on the Fraud Manager criteria, which would automatically trigger an "issue" that would then be investigated prior to the claim being released for payment.
2. Until May 19, 2020, Fraud Manager continued to be run at the same time (i.e., the evening of the day in which a claim was filed). However, as an unintentional byproduct of the technology changes for the removal of the 10-day hold requirement (effective March 31, 2020) and additional backdating allowances (effective starting April 5, 2020), claims could now be filed, certified, and paid on the same day – before the claim was processed through

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<sup>81</sup> SQR 33663.

<sup>82</sup> SQR 33663; SQR 33740.

<sup>83</sup> Discussion with Ms. Abdo (August 11, 2020).

<sup>84</sup> Email from Ms. Abdo to Ms. Burns, Mr. Gray, Ms. Berry, and Ms. Glidden (Subject: "ID Verification Changes") dated June 29, 2020.

<sup>85</sup> 7-28-20 Amendment to New Updated Identification Verification Policy for Pandemic and Non-Pandemic Unemployment Assistance Claims Dated June 5, 2020.pdf.

<sup>86</sup> Email discussion between Mr. Kolar, Mr. Gray, Ms. Corbin, and Ms. Ciccone (Subject: "FW: Confirming UIA 6431 Submission - Director Request") between April 22, 2020 and May 21, 2020; Kolar, Tim. "RE: C8225092-0" Email to Ms. Sigworth and Mr. Frost, June 30, 2020.

- Fraud Manager that evening. According to interviews conducted and email communications read, UIA personnel appeared to be unaware of this until mid-May, which resulted in claims being paid without first being run through Fraud Manager to identify potential fraud-related risks/irregularities.
3. In addition, the issues that were being triggered by Fraud Manager during this time were not being investigated timely, due to the reassignment of the Investigations unit effective March 30, 2020 (as noted in Section IV.A.4 above).
  4. On May 18, 2020, UIA personnel began raising concerns about a group of PUA claims that had been filed, backdated to February, certified, and paid – but then subsequently run through Fraud Manager and flagged as suspicious.<sup>87</sup>
  5. On May 19, 2020, UIA stopped all outgoing benefits payments and initiated system changes (which were fully implemented that same day) to help ensure that payments (regardless of claim type) would be run through Fraud Manager prior to being released.<sup>88</sup>
  6. As a result, between March 31, 2020 and May 19, 2020, it was possible for a claim to be filed and paid on the same day prior to being processed through the Fraud Manager system.
  7. Figure 2 below summarizes the sequencing of initial claims payment prior to the Pandemic as compared to after the removal of the 10-day hold requirement and additional backdating allowances:

**Figure 2**

Prior to March 31, 2020		March 31 - May 19, 2020		After May 19, 2020	
<b>Day 1</b>	Claims are filed	<b>Day 1</b>	Claims are filed	<b>Day 1</b>	Claims are filed
<b>Day 1 Night</b>	Claims flow through Fraud Manager	<b>Day 1</b>	Certifications generated for eligible weeks	<b>Day 1</b>	Claims flow through Fraud Manager
<b>Day 1 Night</b>	Issues Open, if applicable	<b>Day 1</b>	Claimant completes certification	<b>Day 1</b>	Issues Open, if applicable
<b>Day 1 Night</b>	Stop Payments created if Issues Open	<b>Day 1</b>	If prior issues exist, certifications are deemed not payable	<b>Day 1</b>	Stop Payments created if Issues Open
<b>2 weeks later</b>	Certifications generated	<b>Day 1</b>	If no issues exist, payments are deemed payable and are released with no stops	<b>Day 1</b>	Certifications generated for eligible weeks
<b>2 weeks later</b>	Claimant completes certification	<b>Day 1 Night</b>	Claims flow through Fraud Manager	<b>Day 1</b>	Claimant completes certification
<b>2 weeks later</b>	If issues exist, certifications are deemed not payable	<b>Day 1 Night</b>	Issues Open, if applicable	<b>Day 1</b>	If issues exist, certifications are deemed not payable
<b>2 weeks later</b>	If no issues exist, payments are deemed payable and are released with no stops	<b>Day 1 Night</b>	Stop Payments created if Issues Open	<b>Day 1</b>	If no issues exist, payments are deemed payable and are released with no stops

<sup>87</sup> Email discussion between Mr. Donofrio, Ms. Corbin, Mr. Kolar, Mr. Gray, Ms. Chrzaszcz, Ms. Berry, Ms. Glidden, Ms. Burns, and Ms. Baiden (Subject: "[Blank]") on May 18, 2020.

<sup>88</sup> Email from Mr. Kolar to Mr. Gray, Ms. Corbin, Ms. Glidden, and Ms. Berry (Subject: "No Payments This Evening") on May 19, 2020; SQR 33429.

**Summary of potential implications:** Although there was not a formal policy change as to when claims were to be processed through Fraud Manager (i.e., night of the date on which the claim was filed), as an unintentional byproduct of the technological changes related to the 10-day hold and backdating allowances (as summarized in Sections IV.C and IV.D, respectively), claims could be filed, certified, and paid on the same day – prior to being run through the Fraud Manager system checks that evening.

**G. Changes to UIA’s Fraud Manager criteria**

1. As noted above, prior to the Pandemic, UIA’s Fraud Manager system ran after new UI claims were filed and prior to the certification process and initial payment of benefits. The Fraud Manager system was designed to identify potential fraud-related irregularities based on six primary criteria – the presence of which were designed to flag claims for additional investigation or review, and possibly delay payment while the potential fraud or irregularity was reviewed by UIA personnel.
2. On March 24, 2020, UIA personnel began discussing the potential impacts of removing/relaxing certain criteria that Fraud Manager was designed and programmed to check on new claims.<sup>89</sup>
3. As noted in Section IV above, on April 3, 2020, some UIA personnel began expressing concerns internally about the manner in which UIA was modifying its policies and procedures and their impact on detecting and preventing fraud.
4. On April 7, 2020, UIA executive management, including Mr. Gray, Ms. Glidden, Ms. Berry, Mr. Kolar, and Ms. Abdo, exchanged a chain of emails discussing the purpose of the controls in place prior to COVID-19 crisis (e.g., SSA crossmatch, SoS crossmatch, and the use of the Fraud Manager tool).<sup>90</sup>
  - a. Mr. Gray instructs Mr. Kolar and Ms. Blundell to: “... *put in a request to Agency services that turns it off for the future and sweeps those currently in held status? Let’s be specific about which cases.*”
  - b. Later that afternoon, Mr. Kolar forwards the email chain to UIA’s Agency Services mailbox as well as Ms. Sparks, Mr. Diomande, and Ms. Pryor, changing the subject line from “*Another case to track down*” to “*UIA 6431 Submission - Director Request*” saying, “*Simply stated, need to shut off the identity verification in whatever capacity we can for the time being.*”<sup>91</sup>
  - c. Within the same email chain, on April 9, 2020, after multiple leadership conversations, a SQR was submitted by Mr. Kolar to deactivate all Fraud Manager criteria with the exception of the test that checked for suspicious bank routing numbers (a change that was fully implemented as of April 13, 2020). The same email also initiated deactivating the SoS crossmatch, while maintaining the SSA crossmatch.<sup>92</sup>

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<sup>89</sup> SQR 32873; Email discussion between Mr. Kolar, Mr. Gray, Ms. Glidden, Ms. Abdo, Ms. Berry, Ms. Kratz, Ms. Sparks, Ms. Burns, Ms. Blundell, Mr. Diomande, Ms. Turner-Cavin, Ms. Pryor, Ms. Sayles, Mr. Arundel, and Ms. Dery (Subject: “Confirming UIA 6431 Submission - Director Request”) between April 7, 2020 and April 9, 2020.

<sup>90</sup> Email discussion between Mr. Kolar, Mr. Gray, Ms. Glidden, Ms. Abdo, Ms. Berry, Ms. Kratz, Ms. Sparks, Ms. Burns, Ms. Blundell, Mr. Diomande, Ms. Turner-Cavin, Ms. Pryor, Ms. Sayles, Mr. Arundel, and Ms. Dery (Subject: “Confirming UIA 6431 Submission - Director Request”) between April 7, 2020 and April 9, 2020; Email discussion between Mr. Kolar, Mr. Gray, Ms. Corbin, and Ms. Ciccone (Subject: “FW: Confirming UIA 6431 Submission - Director Request”) between April 22, 2020 and May 21, 2020.

<sup>91</sup> Email discussion between Mr. Kolar, Mr. Gray, Ms. Glidden, Ms. Abdo, Ms. Berry, Ms. Kratz, Ms. Sparks, Ms. Burns, Ms. Blundell, Mr. Diomande, Ms. Turner-Cavin, Ms. Pryor, Ms. Sayles, Mr. Arundel, and Ms. Dery (Subject: “Confirming UIA 6431 Submission - Director Request”) between April 7, 2020 and April 9, 2020; Email discussion between Mr. Kolar, Mr. Gray, Ms. Corbin, and Ms. Ciccone (Subject: “FW: Confirming UIA 6431 Submission - Director Request”) between April 22, 2020 and May 21, 2020.

<sup>92</sup> SQR 32996.

- d. UIA personnel generally explained that, at the time this decision was made, the suspicious bank routing number criterion was determined to be the most important fraud filter and the benefits of maintaining the other fraud criteria were determined to be outweighed by the UIA's policy objective of expediting the payment of unemployment benefits to applicants.<sup>93</sup>
5. On May 11, 2020, after an individual notified UIA that someone had misappropriated her identity to file for UI, UIA personnel began discussing the possibility of reinstating the Fraud Manager criteria that were previously relaxed in order to "*mitigate the risk of paying on potential fraudulent claims.*"<sup>94</sup>
6. As a result of the discussions above, UIA undertook various steps to reactivate the Fraud Manager criteria that were previously deactivated, as well as add additional Fraud Manager criteria, through a series of system changes that were implemented from May 22, 2020, through June 29, 2020, some at the direction of LEO.<sup>95</sup> Subsequent to this reactivation, UIA and Deloitte identified several instances in which these criteria did not appear to be coded/implemented accurately (e.g., out-of-state address check), which resulted in Fraud Manager not functioning as intended. As of October 23, 2020, it is Deloitte's understanding that UIA has been monitoring and resolving such instances and will continue doing so moving forward.

**Summary of potential implications:** As a result of the above-mentioned modifications to Fraud Manager, beginning on April 13, 2020, the system's functionality was relaxed to remove existing fraud checks with the exception of the suspicious bank routing numbers, which was left on along with other checks performed outside of Fraud Manager (e.g., SSA crossmatch). These relaxations were eventually reversed and checks were reimplemented in a series of system changes starting on May 22, 2020 and continuing into the following months.

## V. Actions Taken

As of October 23, 2020, the State, and UIA specifically, have taken steps to reintroduce and/or enhance its fraud risk management capabilities as a result of the potential fraud risks identified, and the identification of known insider and external fraud. Such measures include (but may not be limited to) the following:

### Organizational Changes

1. Reestablishing the Investigations Unit on May 22, 2020.
2. Assembling the Unemployment Insurance Fraud Task Force on June 5, 2020 – comprised of the State's Attorney General and several federal and state agencies including USDOL, Michigan State Police, Michigan Department of Management and Budget, Michigan Department of Treasury, and LEO.
3. Appointing Mr. Frost as "Special Fraud Advisor" as part of the State's Unemployment Insurance Fraud Task Force on June 30, 2020, who was charged with the oversight and monitoring of the overall integrity of UIA and the operational responsibilities for the Fraud/Investigations division.
4. Re-assigning three employees to the Investigations Unit to assist with claims reviews in July 2020.

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<sup>93</sup> Discussion with Mr. Kolar (July 24, 2020).

<sup>94</sup> Email discussion between Ms. Burns, Mr. Gray, Ms. Berry, Mr. Kolar, Ms. Abdo, Ms. Baiden, and Ms. Glidden (Subject: "RE: F Michigan UIA "Request for Information" Letter - Potential Fraud") between May 11, 2020 and May 12, 2020.

<sup>95</sup> SQR 33467; SQR 33433; SQR 33553; SQR 33583; SQR 33724.



5. Re-assigning personnel back to the BAM unit on August 10, 2020, with a focus on the review of paid UI claims. The unit fully returned to its normal operational responsibilities of determining the accuracy of paid and denied UI claims on October 5, 2020.
6. Allocating funds to be received under UIPL No. 28-20 (issued on August 31, 2020) for the hiring of 50 more Investigation Unit employees to assist with claims reviews.
7. Requiring background checks be run by third-party vendors prior to providing contractors to UIA.
8. Running daily reports of offboarded contractors to deactivate system access.
9. Issuing a written policy document containing enhanced protocols for the offboarding of third-party contractors, including revoking of system access credentials (approved by Mr. Gray on October 19, 2020).

#### Policy Changes

10. Discontinuing ID verification over the phone, and instead requiring claimants to submit required supporting documents to verify their identity (effective as of July 28, 2020).
11. Reinstating the 10-day hold requirement for new claims (effective as of September 24, 2020).<sup>96</sup>
12. Drafting additional Field Releases and other guidance to further amend and/or clarify how PUA claims should be reviewed for eligibility and processed. For example:
  - a. On October 6, 2020, UIA issued a Field Release which provided additional clarification on PUA claims including, but not limited to, eligibility requirements and backdating (allowed back to February 2, 2020 for PUA claims).<sup>97</sup>
  - b. On October 7, 2020, UIA issued a Field Release which provided additional clarification on the managerial review of backdated claims beyond four weeks for both standard UI and PUA claims.<sup>98</sup>

#### Technology Modifications/Enhancements

13. Re-sequencing the claims payment process so that claims and certifications (regardless of type) are run through Fraud Manager *prior to* being paid (effective as of May 19, 2020).
14. Reimplementing pre-Pandemic Fraud Manager criteria (starting on May 22, 2020).
15. Modifying Fraud Manager with additional and/or enhanced rules and testing criteria to respond to newly identified fraud-related trends and potential risk factors.<sup>99</sup>

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<sup>96</sup> SQR 34308.

<sup>97</sup> FR100620.pdf.

<sup>98</sup> FR Reasonable Suspicion – 10-7-20.pdf.

<sup>99</sup> SQR 34555; SQR 34556; SQR 34557.

**Appendix 1: Summary of relevant personnel**

Name	Title	Interview / Discussion Conducted
Virginia Abdo (“Ms. Abdo”)	Head of Benefits, UIA	X
Tina Alagna (“Ms. Alagna”)	Collections Manager, UIA	X
Evan Anderson (“Mr. Anderson”)	Chief Strategist, LEO  (Tentative: Payment Operations & Digital Systems Advisor, LEO (effective June 30, 2020))	X
John Arundel (“Mr. Arundel”)	Head of Claims, UIA	
Akosua Baiden (“Ms. Baiden”)	Head of Finance and Reporting, UIA (through May 1, 2020)  Head of Agency Services (effective May 1, 2020)	X
Kimberly Berry (“Ms. Berry”)	Deputy Director, UIA	X
Shemin Blundell (“Ms. Blundell”)	Local Office Manager, UIA	
Martha Bogner (“Ms. Bogner”)	Economic and Statistical Analyst, UIA	X
Teresa Burns (“Ms. Burns”)	Head of Internal Controls, UIA (effective October 20, 2019)	X
Monica Chrzaszcz (“Ms. Chrzaszcz”)	Executive Assistant to Director Jeff Donofrio, LEO	
Debbie Ciccone (“Ms. Ciccone”)	Interim Head of Finance and Reporting, UIA (effective May 11, 2020)	X
Susan Corbin (“Ms. Corbin”)	Senior Chief Deputy Director, LEO	X
Robert Czech (“Mr. Czech”)	Compliance & Procedures Department Manager, UIA	X
Mike Deburghraeve (“Mr. Deburghraeve”)	Accountant, UIA	X
Heather Dery (“Ms. Dery”)	Department Analyst, UIA	
Ahlem Diomande (“Mr. Diomande”)	Agency Services Department Analyst, UIA	
Jeff Donofrio (“Mr. Donofrio”)	Director, LEO	N/A <sup>100</sup>
Tricia Foster (“Ms. Foster”)	Director, DTMB	
Jeffrey Frost (“Mr. Frost”)	Special Fraud Advisor, LEO (effective June 30, 2020)	
Tiziana Galeazzi (“Ms. Galeazzi”)	General Manager of Information Technology, DTMB	X
Jennifer Gleit (“Ms. Gleit”)	Enterprises Developer, FAST Enterprises	X
Stephanie Glidden (“Ms. Glidden”)	Chief of Staff to the Director, UIA (effective June 30, 2020)	X
Steve Gray (“Mr. Gray”)	Director, UIA	X
Shirley Heaslip (“Ms. Heaslip”)	Tech & Data – Benefits System Manager, UIA	X

<sup>100</sup> Mr. Frost conducted the interview with Mr. Donofrio; Deloitte did not have an opportunity to participate, but was provided with a verbal summary of the interview by Mr. Frost.

<b>Name</b>	<b>Title</b>	<b>Interview / Discussion Conducted</b>
Darryl Hunter (“Mr. Hunter”)	Head of Tax & Employer Services, UIA	
Myra Hutchins-Daniels (“Ms. Hutchins-Daniels”)	Investigations Manager, UIA	
Tim Kolar (“Mr. Kolar”)	Head of Investigations, UIA	X
Stacia Latona (“Ms. Latona”)	Investigations Manager, UIA	
Michelle Pryor (“Ms. Pryor”)	Former Head of Agency Services, UIA (through May 1, 2020)	
Lynda Robinson (“Ms. Robinson”)	Communications Manager, UIA	
Margaret Sayles (“Ms. Sayles”)	Head of Customer Service	
Amanda Scott (“Ms. Scott”)	Adjudication Manager, UIA	X
Sandra Sigworth (“Ms. Sigworth”)	Regulation Agent, UIA	
Kristine Sparks (“Ms. Sparks”)	Tech & Data Department Manager, UIA	X
Fonda Turner-Cavin (“Ms. Turner-Cavin”)	Head of Local Offices, UIA	
Elvine Vanbolden (“Ms. Vanbolden”)	Manager of Multi-Service Center, UIA	X
John Walker (“Mr. Walker”)	Business Relationship Manager, DTMB	X
Allen Williams (“Mr. Williams”)	Director of Internal Controls, LEO	X
Susie Wiseman (“Ms. Wiseman”)	Claims Department Analyst, UIA	
Adam Whitehead (“Mr. Whitehead”)	System Architect, FAST Enterprises	X
Brian Wotta (“Mr. Wotta”)	Manager of Benefits Accuracy Measurement, UIA	X

## Appendix 2: Methodology / procedures performed

The following objectives of the procedures were agreed to with the State:

1. Understand the internal control environment within UIA to identify and manage potentially fraudulent claims activity and insider fraud (including protocols to monitor activity of external contractors);
2. Develop a further understanding of UIA's Fraud Manager system, including criteria by which it was used to identify potentially fraudulent behavior, as well as the circumstances by which the Fraud Manager filters were deactivated/reactivated; and
3. Forensically construct a timeline of key events related to UIA's fraud risk management processes, including (but not limited to) issuance/interpretation of relevant rules and regulations, implementation/revision of relevant internal controls, changes to UIA organizational structure and key personnel, and updates/modifications to relevant systems.

To that end, as agreed to with the State, Deloitte engaged in the following procedures:

1. Performed fact-finding interviews with 24 individuals – including key UIA and LEO leadership and other relevant personnel and third-party contractors – in order to understand:
  - a. Timeline of key events surrounding the State's/UIA's response to the Pandemic from a fraud risk management perspective;
  - b. Implementation and usage of UIA's Fraud Manager system in 2020, including the application of relevant fraud indicators/tests, deactivation/reactivation, and subsequent modifications;
  - c. Changes and modifications to the UIA fraud-related internal control environment surrounding the submission, review, approval, and payment of unemployment claims; and
  - d. Delegation of authorities and approvals, segregation of duties, management review protocols, and system access controls for employee claims administrators and third-party contractors.

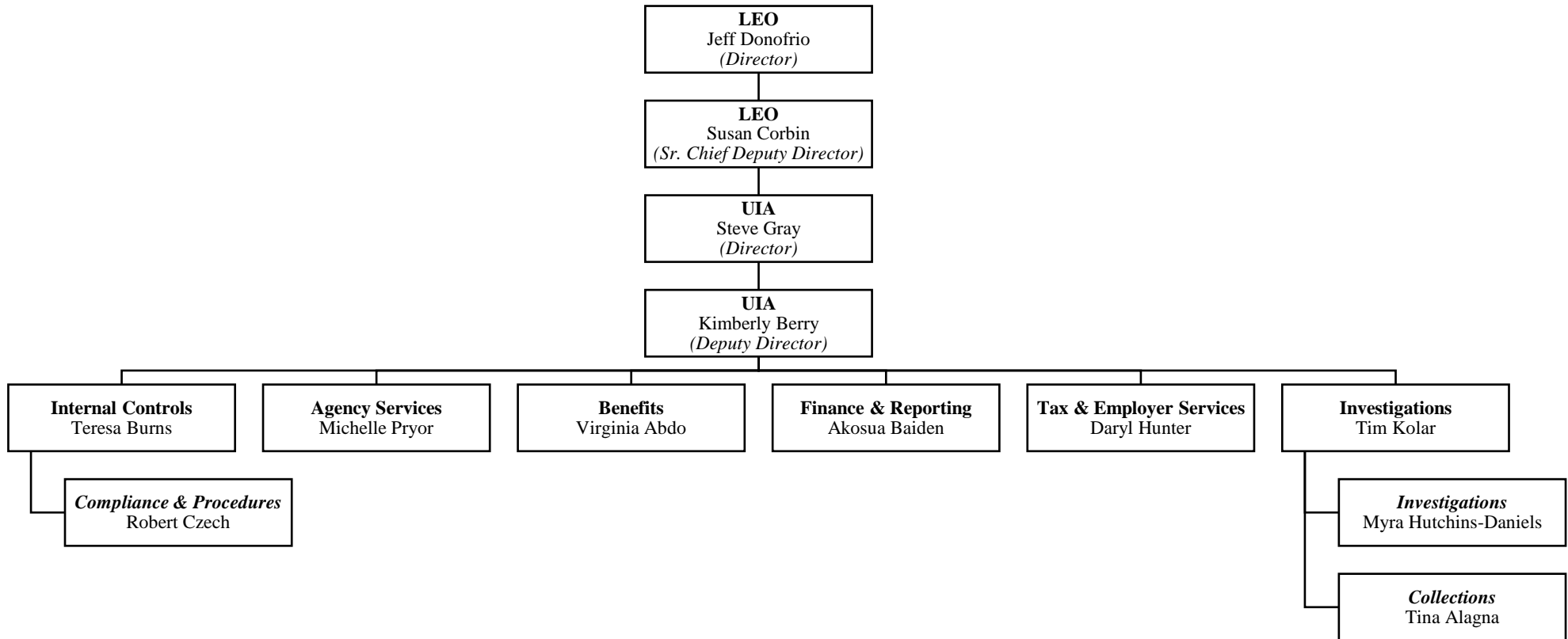
Refer to Appendix 1 for a listing of individuals referenced throughout this chronology and a summary of individuals interviewed.

2. Reviewed certain documents, electronic data, and other information provided by various UIA personnel, including, but not limited to:
  - a. Copies of certain email communications as identified and provided by UIA;
  - b. Various internal UIA/LEO policies and standard operating procedure ("SOP") documents (e.g., 10-day review hold, backdating, ID verification, manager benefit payment review);
  - c. Various UIA organizational charts showing personnel changes;
  - d. Relevant Unemployment Insurance Program Letters ("UIPLs") issued by USDOL;
  - e. Relevant EOs issued by the State;
  - f. Relevant UIA Field Releases;
  - g. Supporting documentation for approximately 50 SQRs related to multiple policy, control, and system changes implemented as a result of UIA's Pandemic response;
  - h. Select publicly available information available on UIA's website (e.g., press releases, executive leadership bios); and
  - i. Other relevant documents and data identified during the course of interviews, email review, and other fact-finding procedures.

Such documents and data were reviewed to further enhance the chronology outlined above, as well as to confirm (to the extent possible) the completeness and accuracy of information learned during interviews.

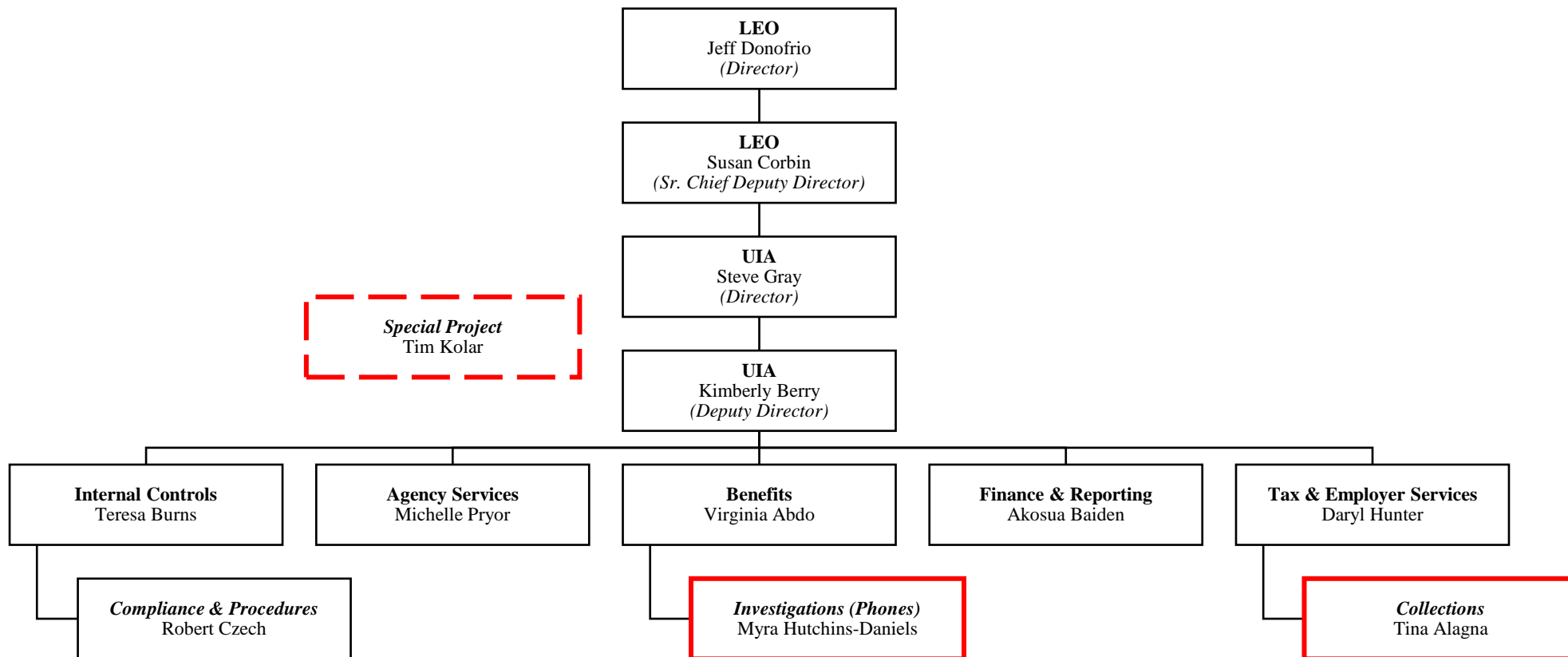
**Appendix 3: Organizational charts**

**Prior to COVID-19:<sup>101</sup>**



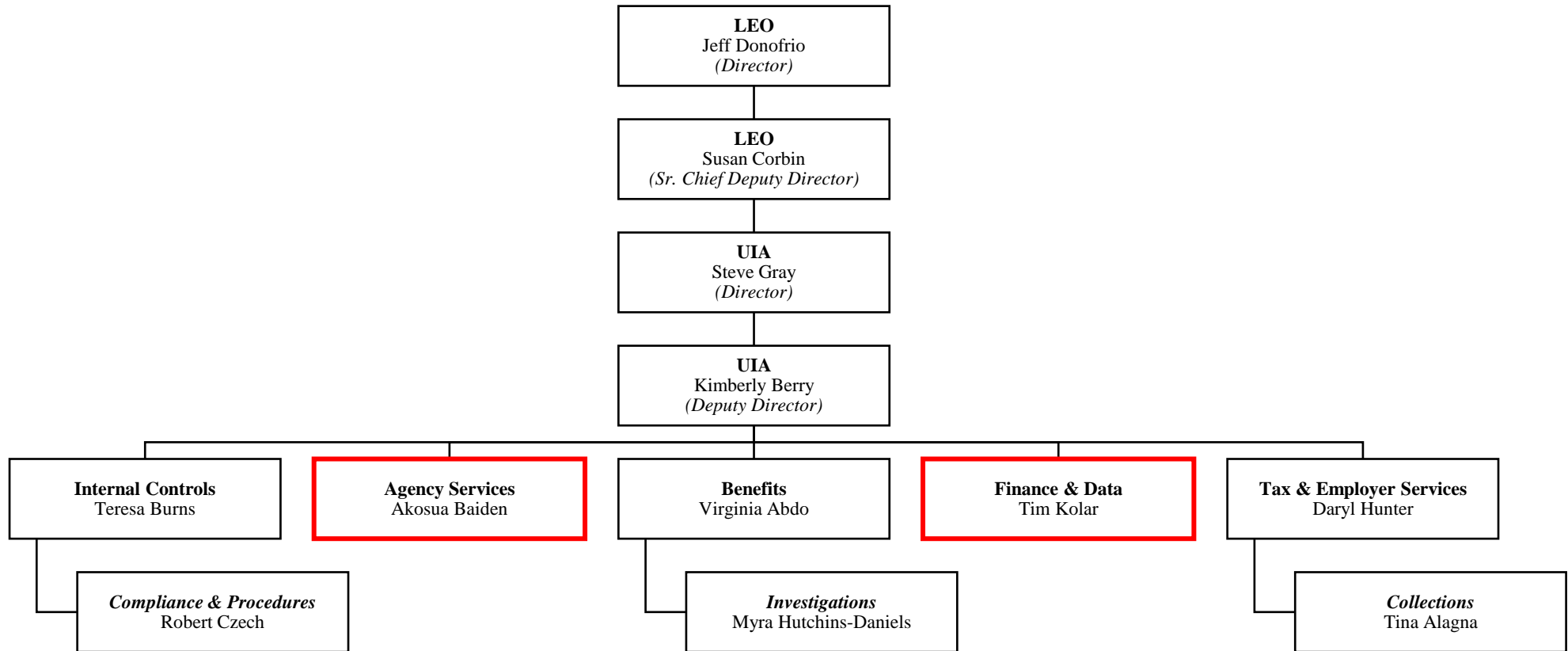
<sup>101</sup> UI Org Chart 12-2-2019.docx.

Effective March 30, 2020:<sup>102</sup>



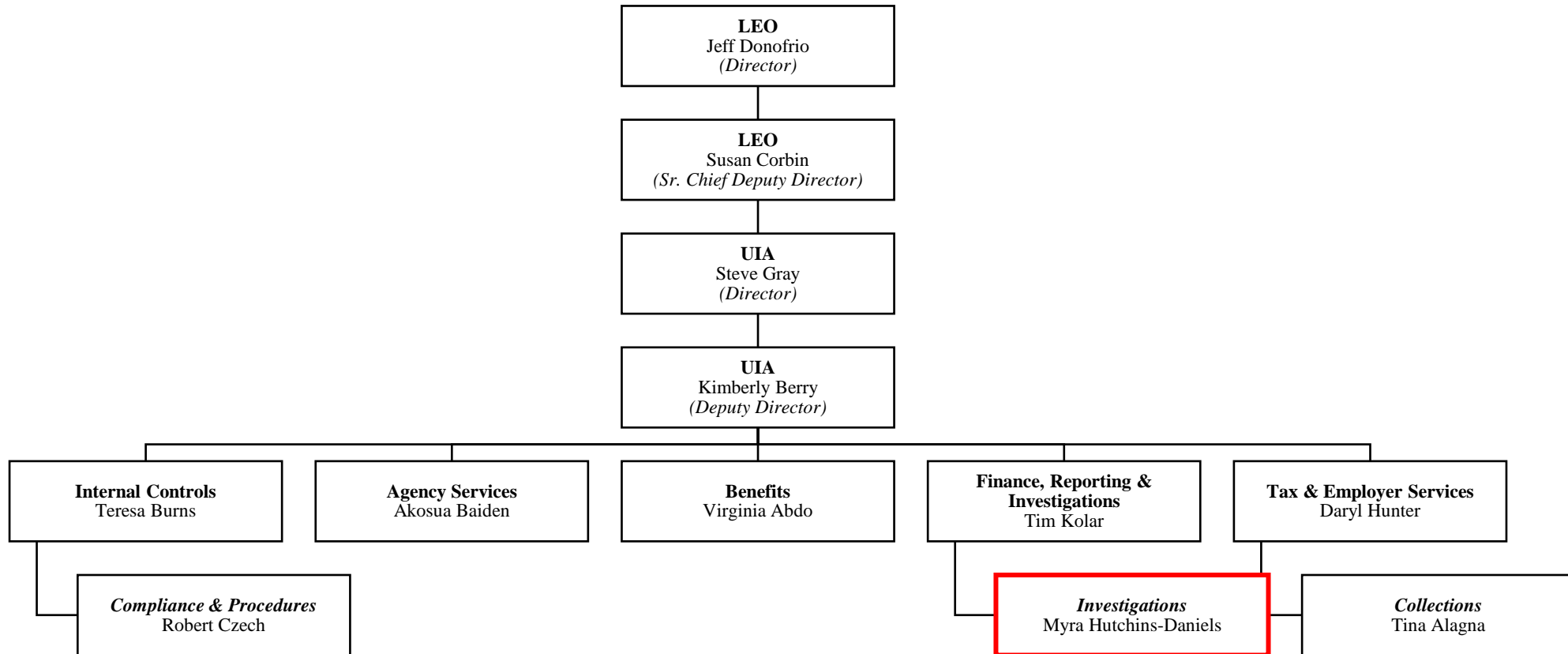
<sup>102</sup> Representation of organizational changes made as a result of information contained in email from Ms. Berry to Ms. Hutchins-Daniels, Ms. Alagna, Mr. Diomande, Ms. Abdo, Mr. Hunter, Mr. Kolar, Ms. Baiden, Ms. Pryor, Ms. Burns, Ms. Dery, Mr. Gray, Ms. Robinson, and Ms. Glidden (Subject: "Temporary Reporting Structure") dated March 26, 2020. Note Deloitte understands the reassignment of Mr. Kolar was effective as of March 26, 2020, while the other changes noted above (e.g., Investigations, Collections) were effective as of March 30, 2020.

Effective May 1, 2020:<sup>103</sup>



<sup>103</sup> UI Org Chart 5-13-2020.docx.

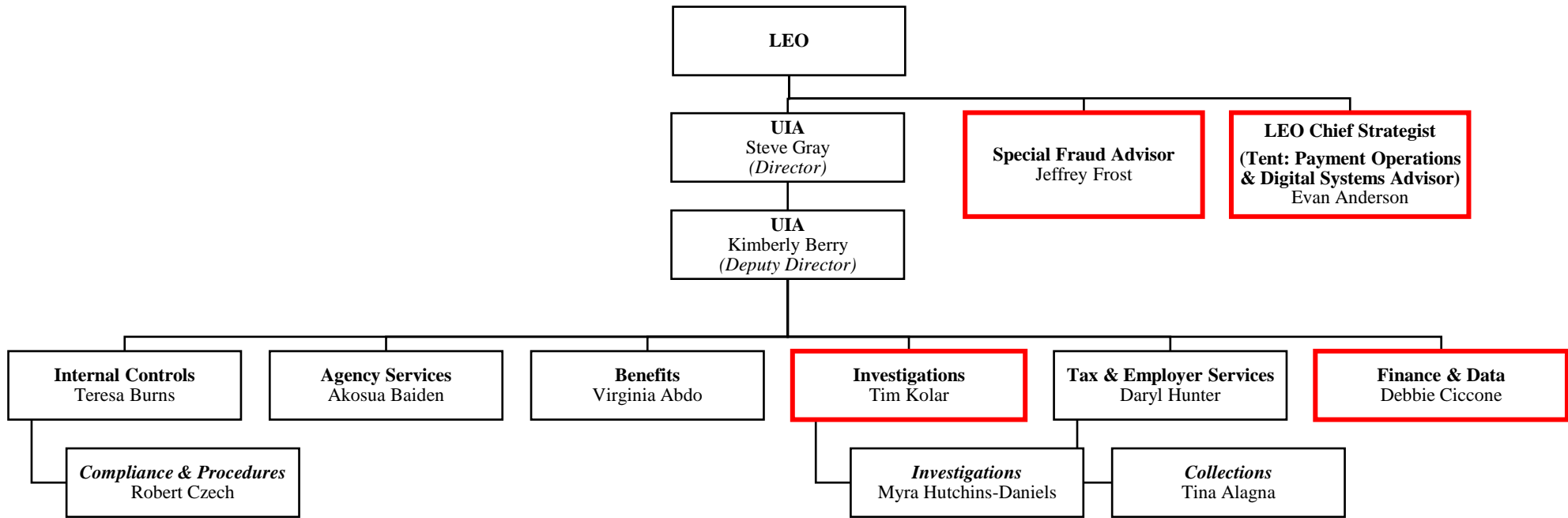
Effective May 22, 2020:<sup>104</sup>



<sup>104</sup> UI Org Chart 6-22-20.docx; Email from Ms. Berry (dated May 22, 2020): "Subject: Reporting Structure for Investigations."



Effective June 30, 2020:<sup>105</sup>



<sup>105</sup> UI Org Chart 7-21-20.docx.

**Appendix 4: High-level UIA fraud risk management timeline/chronology**

**Key:**

- ① Internal Organizational Changes
- ② External Contractors
- ③ 10-Day Hold
- ④ Backdating
- ⑤ ID Verification
- ⑥ FM Policy Changes
- ⑦ FM Criteria

