

DEPUTY SECRETARY OF LABOR
WASHINGTON, D.C. 20210

FEB 21 2019

The Honorable Gretchen Whitmer
State of Michigan
Office of the Governor
P.O. Box 30013
Lansing, Michigan 48909

Dear Governor Whitmer:

The Department of Labor (DOL) is committed to working aggressively with states to reduce improper payments in the Unemployment Insurance (UI) program and to bringing the program into compliance with the requirements of the Improper Payments Elimination and Recovery Act (IPERA) of 2010.¹

States administer the UI program and only states can prevent, detect, and recover improper payments. Therefore, DOL is currently identifying states with high UI improper payment rates that also significantly contribute to the national rate, which is now over 13 percent. These "high-rate/high-impact" states will be expected to take actions to address improper payments in their states. The purpose of this letter is to inform you that DOL is designating Michigan as a UI improper payment "high-rate/high-impact" state for Fiscal Year (FY) 2019.

IPERA was enacted to help reduce improper benefit payments across all federal programs. Programs with improper payment rates above 10 percent are considered out of compliance with IPERA, which triggers additional oversight by Congress, the Office of Management and Budget (OMB), and DOL's Office of Inspector General (DOL-OIG). As a result, DOL issued Unemployment Insurance Program Letter (UIPL) No. 09-13, *Integrity Performance Measures for Unemployment Insurance*, to establish a performance measure for states to achieve an improper payment rate of less than 10 percent.²

Based on the three-year averages for the period from July 1, 2015, through June 30, 2018, Michigan reported an estimated improper payment rate of 42.23 percent. The UI improper payment rate is based on the percentage of payments estimated to be improper by the Benefit Accuracy Measurement (BAM) program.

¹ <https://www.whilchouse.gov/wp-content/uploads/2018/06/M-18-20.pt.lf>

² https://wdr.doleta.gov/directives/attach/UIPL/UIPL_9_13.pdf

As a result of Michigan being designated a UI improper payment "high-rate/high-impact" state, DOL will work closely with your state over the next several months to:

- Immediately convene a high-level call with me to discuss the "high-rate/high-impact" state designation;
- Schedule a follow-on call with the state UI program and DOL's Employment and Training Administration to walk through the technical assistance and monitoring process with the state;
- Establish connections with UI subject matter experts that will work with your state to identify: action steps designed to reduce improper payments, with a particular focus on prevention; a target reduction for your state improper payment rate; and technical assistance strategies to support your successful implementation of action strategies and the achievement of improved performance;
- Modify your state's integrity Action Plan to include the newly identified action steps and improper payment rate reduction targets; and
- Monitor your state's performance and conduct quarterly conference calls to assess progress and identify ongoing technical assistance needs.

DOL has funded the collection and dissemination of successful strategies that may be incorporated into your state's Integrity Action Plan. Some examples of these strategies include:

- Integration of the state employment service and UI technology systems, as implemented in Louisiana, to provide claimants with immediate access to job matches following an initial UI claim filing. This system auto-populates the weekly UI certification with details from the claimant's job search activities recorded during the prior week and also checks to ensure that the claimant has included the state's required number of work search contacts;
- Expansion of employers' use of the State Information Data Exchange System (SIDES), as implemented in Arizona, to provide timely and accurate information about the reason for a claimant's separation from employment. When registering employers there is a default to report using SIDES, which significantly increases employer use of SIDES;
- Improved messaging, as implemented in New Mexico, using behavioral "nudges" to influence the claimant to provide more accurate responses at points in the UI certification process when a claimant is more likely to make a decision that may lead to an improper payment; and
- Enhanced National Directory of New Hires (NDNH) processes, as implemented in New Jersey, to flag the next continued claim when an NDNH cross-match "hit" is detected and require the claimant to speak to a state claims representative when filing his or her next continued claim.

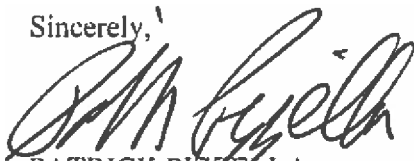
Starting in FY 2019, DOL will identify in its annual IPERA report to Congress and OMB those states designated as UI improper payment "high-rate/high-impact" states. All "high-rate/high-impact" states will remain subject to additional monitoring and technical assistance until they achieve an improper payment rate under 10 percent and sustain that performance for at least two quarters. Should Michigan fail to make significant progress in meeting the milestones in your strategic plan and reduce your state's UI improper payment rate, your state's UI program will be

subject to a comprehensive audit by DOL. DOL's authority to conduct such audits is derived from Sections 303(a)(6) (8) and (9) and Section 303(b) of the Social Security Act. If necessary or appropriate to ensure the state is producing performance results, DOL may request assistance from and/or an independent review by the DOL-OIG.

Additionally, Section 303(a)(I) of the Social Security Act requires, as a condition for states to receive administrative grants for their unemployment compensation program, that state laws provide for "such methods of administration ... as are found by the Secretary of Labor to be reasonably calculated to insure full payment of unemployment compensation when due." DOL has always interpreted this section to also require that states have methods of administration to ensure that unemployment compensation is not paid when it is not due.

DOL is prepared to work collaboratively with you to assist in the improvement of Michigan's UI program performance and to reduce its improper payment rate.

Sincerely,



PATRICK PIZZELLA

cc: Stephanie Beckham
Acting Director
Michigan Department of Talent and Economic Development

Michelle Beebe
Director
Michigan Unemployment Insurance Agency

James E. Williams
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Acting Assistant Secretary
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Christine Quinn
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