



GRETCHEN WHITMER
GOVERNOR

STATE OF MICHIGAN
DEPARTMENT OF LABOR AND ECONOMIC OPPORTUNITY
LANSING

JEFF DONOFRIO
DIRECTOR

Memorandum

DATE: January 21, 2020

TO: The Honorable Jim Stamas, Chair
Senate Appropriations

The Honorable Shane Hernandez, Chair
House Appropriations

FROM: Jeff Donofrio, Director
Labor and Economic Opportunity (LEO)

RE: Public Act 207 of 2018, Section 1076 Report

Per Article VIII, Section 1076 of the Omnibus Budget, Public Act 207 of 2018 Sec. 1076, the Department of Labor and Economic Opportunity shall provide a quarterly report to the members of the Senate and House Committees on Appropriations, the Senate and House Fiscal Agencies, and the State Budget Director that includes, but is not limited to, the following:

- a) The number of new fraudulent and noncompliant cases that have been identified or issued by the Unemployment Insurance Agency, classified by employer or claimant, during the quarter.
- b) The total amount of penalties and interest issued on fraudulent and noncompliant cases during the quarter.
- c) The total amount of penalties and interest dollars received during the quarter by employer or claimant.
- d) The total amount of penalties and interest still owed to the state by employer or claimant.
- e) The number of fraudulent and noncompliant cases that have been appealed by an employer or claimant during the quarter.

If you have any questions, please contact Stephanie Glidden, Legislative Liaison at GliddenS@michigan.gov or (517) 927-5095

Attachment

cc: Members, Senate and House Appropriations Committees
Christopher Harkins, Director, Senate Fiscal Agency
Mary Ann Cleary, Director House Fiscal Agency
Chris Kolb, State Budget Director

**Unemployment Insurance
Fraud Report
Quarterly Report 1st Quarter 2020: October 1 – December 31, 2019**

Sec. 1076. The Department of Labor and Economic Opportunity shall provide a quarterly report to the members of the senate and house committees on appropriations, the senate and house fiscal agencies, and the state budget director that includes, but is not limited to, the following:

- (a) The number of new fraudulent and noncompliant cases that have been identified or issued by the Unemployment Insurance Agency, classified by employer or claimant, during the quarter.

Employers: 0 fraudulent cases; 918 negligence penalty cases; 8,407 non-reporting penalty cases; 1,415 wage penalty cases; 1,380 late reporting penalty cases

Claimants: 199 fraudulent cases

- (b) The total amount of penalties and interest issued on fraudulent and non-compliant cases during the quarter.

Employers: \$ -17,914,924.38¹

Claimants: \$ 1,661,312.30

- (c) The total amount of penalties and interest dollars received during the quarter by employer or claimant:

Employers: \$ 4,753,413.35

Claimants: \$ 1,420,669.18

- (d) The total amount of penalties and interest still owed to the state by employer or claimant:

Employers: \$ 28,309,804²

Claimants: \$ 11,504,333

- (e) The number of fraudulent cases that have been appealed by an employer or claimant during the quarter.

59 Claimant fraud cases appealed, and 0 Employer Fraud cases appealed

¹ The negative penalty assessments for the quarter is a result of a one-time change to the timing of automatic account inactivations because of an accounting system change in accordance with USDOL guidance. Employer inactivations were adjusted from 12 quarters to 8 quarters, increasing the number of reversals in Q1 October-December. Without this one-time adjustment, penalties and interest for employers would be \$ 8,219,983.24.

² Figures are generated from the Annual Audited Financial Statements of the Contingent Fund for the Fiscal Year Ended September 30, 2018. Figures are carried forward, unchanged, in each quarterly report until issuance of the Annual Audited Financial Statements of the Contingent Fund for the subsequent fiscal year.