GOVERNMENT OF THE DISTRICT OF COLUMBIA
OFFICE OF THE INSPECTOR GENERAL

DEPARTMENT OF EMPLOYMENT SERVICES
OFFICE OF UNEMPLOYMENT COMPENSATION
BENEFITS DIVISION

REPORT OF SPECIAL EVALUATION

February 2011

CHARLES J. WILLOUGHBY
INSPECTOR GENERAL

OIG No. 11-I-0038CF **February 2011**

GOVERNMENT OF THE DISTRICT OF COLUMBIA
Office of the Inspector General

Inspector General

February 10, 2011

Rochelle L. Webb
Acting Director
Department of Employment Services
4058 Minnesota Avenue, N.E, Suite 5000
Washington, D.C. 20019

Dear Ms. Webb:

Enclosed is our *Report of Special Evaluation of the Department of Employment Services' Office of Unemployment Compensation Benefits Division* (OIG No. 11-I-0038CF). Written comments from the Department of Employment Services on the special evaluation team's five findings and eight recommendations are included in the report. This report will soon be available publically at http://oig.dc.gov; I encourage you to share it with your employees.

In addition, we have enclosed *Compliance Forms* on which to record and report to this Office any actions you take concerning each recommendation. These forms will assist you in tracking the completion of action(s) taken by your staff, and will assist this Office in its inspection follow-up activities. We track agency responses to all conditions cited and compliance with recommendations made in our reports of special evaluation. Please ensure that the *Compliance Forms* are returned to the OIG by the response date, and that reports of "Agency Action Taken" reflect actual completion, in whole or in part, of a recommended action rather than "planned" action.

We appreciate the cooperation shown by you and your employees during the special evaluation and look forward to your continued cooperation during the upcoming follow-up period. If you have questions or comments concerning this report or other matters related to the special evaluation, please contact me or Alvin Wright Jr., Assistant Inspector General for Inspections and Evaluations, at (202) 727-2540.

Sincerely,

Charles J. Willoughby
Inspector General

CJW/bd

Enclosure

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TABLE OF CONTENTS

EXECUTIVE SUMMARY **1**

INTRODUCTION **5**

Background and Perspective 6
Role of U.S. Department of Labor 6
Overview of OUC's Unemployment Claims Processes 7
Overview of OUC's Past and Current Timeliness in Issuing Unemployment Claims 8

EMPLOYEE SURVEY **11**

KEY FINDINGS **15**

OUC Lacks a Policies and Procedures Manual for Processing Claims 16
OUC Does Not Provide Formal, Job-Specific Training 19
High Employee Turnover Impacts Stability of Operations 23

ADDITIONAL FINDINGS **27**

Adjudication Unit Lacks Quality Assurance and Monitoring of Employee Performance 28
Management Information System Unable to Produce Key Management Performance Reports 32

APPENDICES **37**

Appendix 1: List of Findings and Recommendations 39
Appendix 2: DOES Letter in Response to Draft Report dated December 30, 2010 43

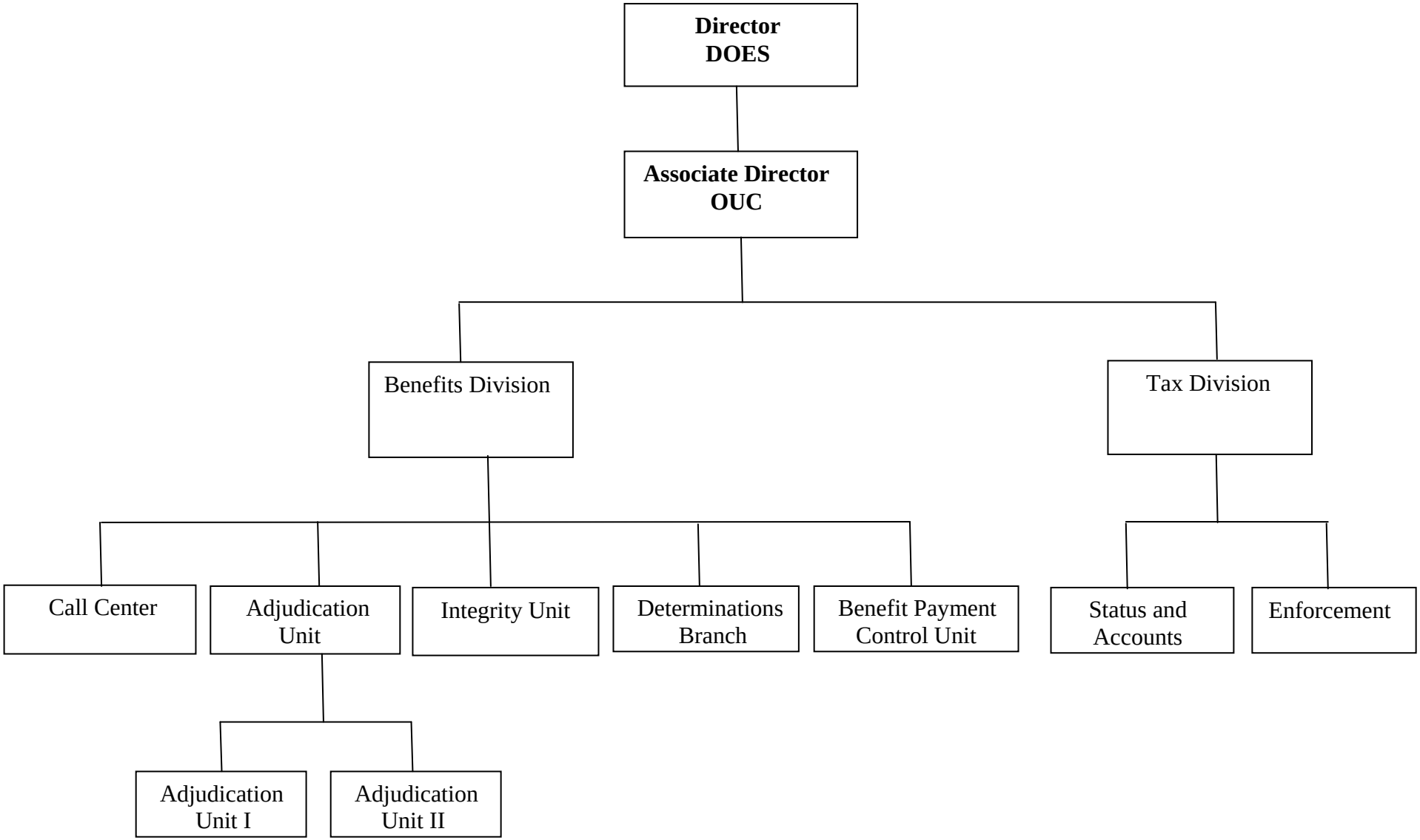
TABLE OF CONTENTS

ACRONYMS

ACRONYMS

CY	Calendar Year
DCHR	D.C. Department of Human Resources
DCMR	District of Columbia Municipal Regulations
DOCS	District On-Line Compensation System
DOES	Department of Employment Services
DOL	U.S. Department of Labor
EOM	Executive Office of the Mayor
FTE	Full-Time Equivalent
FY	Fiscal Year
GAO	U.S. Government Accountability Office (previously known as the General Accounting Office)
I&E	Inspections and Evaluations
MIS	Management Information System
OCTO	Office of the Chief Technology Officer
OIG	Office of the Inspector General
OPM	U.S. Office of Personnel Management
OUC	Office of Unemployment Compensation
PIP	Performance Improvement Plan
UI	Unemployment Insurance

ORGANIZATION CHART



Source: Based on information gathered during fieldwork and confirmed with a DOES official in August 2010.

EXECUTIVE SUMMARY

OVERVIEW

The Inspections and Evaluations (I&E) Division of the Office of the Inspector General (OIG) conducted a special evaluation of the Office of Unemployment Compensation (OUC) in the Department of Employment Services (DOES) from August 2009 through July 2010. The mission of DOES is to "plan, develop and administer employment-related services to all segments of the Washington, DC metropolitan population."[1] Established in 1980, DOES provides opportunities for individuals to prepare for, find, and maintain employment; provides income support to the unemployed; and promotes the working conditions of wage earners.[2] OUC is responsible for providing temporary unemployment benefits to individuals who have worked in the District and become unemployed due to no fault of their own.

SCOPE AND METHODOLOGY

The objectives of the special evaluation were to assess OUC's efficiency and timeliness in issuing unemployment benefits. OIG special evaluations and inspections comply with standards established by the Council of Inspectors General on Integrity and Efficiency, and pay particular attention to the quality of internal control.[3] The team conducted 42 interviews with DOES personnel, 2 interviews with representatives from the D.C. Department of Human Resources (DCHR), and 3 interviews with U.S. Department of Labor (DOL) personnel. The team issued an anonymous and confidential survey to OUC employees, and observed key work processes. The team additionally interviewed representatives from unemployment compensation agencies from four states. The team selected these states based on their experience in issuing payments timely (see Table 3 in the Introduction) and some had a claim volume that is comparable to the District's.

A list of the report's five findings and eight recommendations is included at Appendix 1.

Key Findings

OUC lacks a policies and procedures manual for processing claims (Page 16). OUC does not have a comprehensive policies and procedures manual for its claims examiners that provides a walk-through of the steps involved to process initial unemployment claims. Such a manual would provide clear guidance to claims examiners to ensure that they perform the various aspects of their job duties in a consistent manner.

OUC does not provide formal, job-specific training (Page 19). OUC does not provide standardized, formal classroom training for its new employees on all the processes required to

[1] Http://www.does.dc.gov/does/cwp/view,a,3,q,539626,doesNav_GID,1563,doesNav,%7C32096%7C,.asp (last visited Oct. 27, 2009).
[2] *See* Reorganization Plan No. 1 of 1980, D.C. Code 1980-5 § II (2006).
[3] "Internal control" is synonymous with "management control" and is defined by the Government Accountability Office as comprising "the plans, methods, and procedures used to meet missions, goals, and objectives and, in doing so, supports performance-based management. Internal control also serves as the first line of defense in safeguarding assets and preventing and detecting errors and fraud." STANDARDS FOR INTERNAL CONTROL IN THE FEDERAL GOVERNMENT, Introduction at 4 (Nov. 1999).

review and issue an unemployment claim. Furthermore, it does not provide on-the-job training in which a new employee is partnered to shadow an experienced employee.

High employee turnover impacts stability of operations (Page 23). DOES has experienced high turnover in the DOES Director, OUC Associate Director, and claims examiner positions. Interviewees stated that new managers and supervisors lacked sufficient knowledge about operations, which limits the amount of guidance that employees receive. In addition, after hiring new employees, it takes time for them to learn DOES processes. As a result, new employees cannot complete their work as quickly as needed.

Additional Findings

The team also found that:

- there is a lack of quality assurance and monitoring of employee performance in the Adjudication Unit; and
- OUC's management information system was not able to produce key performance reports.

One area of concern reported to the team, but not a finding in this report, was that 88% of respondents to the employee survey disagreed that OUC had an adequate number of employees to complete work timely. OUC provided the team with a memorandum issued to the Deputy Chief Financial Officer in September 2009 to justify the request for additional DOES employees for fiscal year (FY) 2010. DOES requested 26 claims examiners with salaries totaling approximately $1 million. The memorandum discussed planned responsibilities for the new employees and mentioned the "unprecedented increase" in claims; it did not articulate the specific need for 26 claims examiners. The team asked an OUC senior official about the justification for additional employees. This official stated that discussions with OUC managers regarding current and optimal workloads formed the basis for the request to hire additional OUC personnel. Due to the operational deficiencies identified at OUC by the OIG during fieldwork, the OIG could not determine whether OUC needed all of these additional employees.

Recommendations and Conclusion

The OIG made eight recommendations to DOES to improve the deficiencies noted and increase operational efficiency. These recommendations focused on improving OUC's timeliness in issuing unemployment benefits to clients.

OUC lacks sufficient internal controls in key areas, including written procedures and training, as well as adequate supervision of employees. This was evident through onsite observations and feedback from OUC personnel. Due to the insufficient internal controls, which are discussed in this report, the team has concerns regarding the accuracy and consistency of OUC's benefits determinations. The lack of standardized processes and practices increases the potential for fraud, waste, and abuse in the District's unemployment insurance benefit program.

All DOES officials and staff members were cooperative and responsive throughout the special evaluation.

DOES reviewed the draft of this report prior to publication, and its comments in their entirety follow each recommendation.

Note: The OIG does not correct an agency's grammatical or spelling errors, but does format an agency's responses in order to maintain readability of OIG reports. Such formatting is limited to font size, type, and color, with the following exception: if an agency bolds or underlines text within its response, the OIG preserves these elements of format.

Compliance and Follow-Up

The OIG inspection process includes follow-up with DOES on findings and recommendations. Compliance forms with findings and recommendations will be sent to DOES along with this report of special evaluation. I&E will coordinate with DOES on verifying compliance with recommendations in this report over an established period. In some instances, follow-up activities and additional reports may be required.

INTRODUCTION

INTRODUCTION

Background and Perspective

The objective of the special evaluation was to assess OUC's efficiency and timeliness in issuing unemployment benefits.

One of the responsibilities of the Department of Employment Services (DOES) is to provide income support to mitigate the effects of unemployment.[4] The Office of Unemployment Compensation (OUC) within DOES provides unemployment insurance benefits to workers who have become unemployed in the District due to no fault of their own. OUC's approved fiscal year (FY) 2010 budget was approximately $22 million with 104 full-time equivalents (FTEs). According to a report from an OUC database, OUC received 52,898 initial claims for unemployment insurance benefits in FY 2009.

OUC consists of the Benefits Division and the Tax Division.[5] The team focused its special evaluation on the Benefits Division as it is responsible for providing "cash payments to customers who are unemployed through no fault of their own and are able and available for work."[6] All references to OUC refer solely to the Benefits Division. Within the Benefits Division is a call center, a Determinations Branch, an Adjudication Unit, an Integrity Unit, and a Benefit Payment Control Unit.

Role of U.S. Department of Labor

The mission of the U.S. Department of Labor (DOL) is to "foster, promote, and develop the welfare of the wage earners, job seekers, and retirees of the United States; … and assure work-related benefits and rights."[7] DOL's Office of Unemployment Insurance is responsible for "[p]roviding oversight, guidance, and technical assistance for the federal-state unemployment compensation system and providing budget and legislative support to state workforce agencies. . . ."[8] According to DOL officials, their functions include monitoring a state's timeliness and accuracy in issuing unemployment insurance benefits, providing training to state agencies, reviewing agency operations throughout the states, and making recommendations for improvement. We consulted with officials from DOL's Office of Unemployment Insurance periodically during the special evaluation to obtain information regarding operations and performance of other jurisdictions, federal regulations, and best practices.

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[4] *See* Reorganization Plan No. 1 of 1980, D.C. Code 1980-5 § II (2006).
[5] Pursuant to the Office of Administrative Hearings Establishment Act of 2001 (D.C. Law 14-76), appeals are conducted by the Office of Administrative Hearings (OAH). D.C. Code § 2-1831.03 (b)(1) states that as of October 1, 2004, OAH shall adjudicate DOES cases, except the private workers' compensation function.
[6] GOVERNMENT OF THE DISTRICT OF COLUMBIA, FY 2011 PROPOSED BUDGET AND FINANCIAL PLAN, VOLUME 2 - AGENCY BUDGET CHAPTERS - PART I, B-72 (Apr. 1, 2010).
[7] Http://www.dol.gov/opa/aboutdol/mission.htm (last visited Sept. 29, 2010).
[8] Http://www.ows.doleta.gov/unemploy/aboutoui.asp (last visited Sept. 29, 2010).

Overview of OUC's Unemployment Claims Processes

According to DOES' Unemployment Insurance (UI) Claimant's Rights and Responsibilities, unemployment insurance pays benefits to workers who are unemployed through no fault of their own and are also ready, willing, and able to work.[9] D.C. Code § 51-110 (2001) provides the circumstances that disqualify an individual from receiving benefits, such as voluntarily leaving the most recent employment without good cause[10] connected to the work or being discharged due to gross misconduct. The cost of the unemployment insurance program is financed through taxes paid by employers doing business in the District. Deductions for this program are not taken from a worker's paycheck. The base period wages may be derived from District employers, the District government, the federal government, the U.S. military, or from employers in other states.[11]

In the District, a customer may use the telephone or Internet to file a claim for unemployment insurance benefits. Claims examiners in the call center are responsible for receiving telephone calls from individuals who wish to file a claim for unemployment benefits or have questions about unemployment insurance or a filed claim. Claims examiners throughout OUC are responsible for interviewing and assisting individuals in filing initial, additional, reopened, and continued claims; gathering necessary facts from claimants, employers, and other parties regarding issues that may affect eligibility for benefits; researching disputed wage claims; and investigating cases involving possible overpayments of benefits.

Once a claimant submits an application, there are various steps that claims examiners take to determine whether a claimant is eligible to receive benefits. For example, a claims examiner obtains information from a claimant and employer regarding the reason underlying the claimant's unemployment status. The claims examiner determines whether a claimant has earned sufficient wages by reviewing data in the District On-Line Compensation System (DOCS).[12]

If wage information on an application is missing, the application is given to the Determinations Branch. The claims examiners in the Determinations Branch contact employers to request wage information, contact a claimant to request documentation (such as W-2

[9] D.C. DEPARTMENT OF EMPLOYMENT SERVICES, DISTRICT OF COLUMBIA UNEMPLOYMENT INSURANCE CLAIMANT'S RIGHTS AND RESPONSIBILITIES 1 (undated).

[10] According to 7 DCMR § 311.7, reasons considered "good cause" include racial discrimination or harassment; sexual discrimination or harassment; as well as working in unsafe locations or under unsafe conditions.

[11] DOES' UI Claimant's Rights and Responsibilities states that in order to be eligible for unemployment insurance benefits, a claimant must meet certain wage requirements within a 12-month time period that is called the base period. D.C. DEPARTMENT OF EMPLOYMENT SERVICES, DISTRICT OF COLUMBIA UNEMPLOYMENT INSURANCE CLAIMANT'S RIGHTS AND RESPONSIBILITIES 1- 2 (undated).

[12] D.C. Code § 51-107(c)(1) (2001) requires that an individual seeking unemployment compensation must have:

- Received wages of at least $1,300 in 1 quarter of his/her base period;
- Received wages of at least $1,950 in at least 2 quarters during the base period; and
- Received wages during the base period that were equal to at least one and one-half times the wages earned in the quarter with the highest wages.

statements as evidence of wages earned), and send a determination letter to the claimant and employer.

In addition to not earning sufficient wages, there are other disqualifying circumstances that would prohibit a claimant from receiving unemployment compensation (e.g., voluntarily left work without good cause or discharged because of gross misconduct). When a claimant files for unemployment, a notice is sent to the claimant's last employer to request a reason for the claimant's separation. If there is an "issue" on a claim, it is then sent to the Adjudication Unit[13] to resolve the issue and determine if a claimant is eligible for benefits. After the adjudication, a determination letter is sent to a claimant and employer. Either the claimant or employer may file an appeal with the Office of Administrative Hearings (OAH) if they disagree with DOES' determination.

The Benefit Payment Control Unit is responsible for the prevention, detection, and recovery of improperly paid unemployment insurance benefits. According to an OUC supervisor, the Integrity Unit selects 25% of the claims and requests that these claimants physically come to OUC to submit documents to verify their identity.

Overview of OUC's Past and Current Timeliness in Issuing Unemployment Claims

DOL has established core performance measures[14] that include oversight on key performance areas representative of the entire unemployment insurance system in the United States and evaluates states on the basis of performance on key indicators. One core measure is timeliness in issuing the first unemployment payment to claimants. DOL's acceptable level of performance for the first payment of unemployment benefits is that no less than 87% of first payments are to be made within 14-21 days after the "week ending date" of the first compensable week in the benefit year.[15] The payment must be made within 14 days in states where a waiting week is required and in 21 days in states that do not require a waiting week. Waiting week refers to a noncompensable period of unemployment and is the first week of the benefit year that a claimant is unemployed and eligible for benefits. The District of Columbia and 38 of the 50 states require a 1-week waiting period.[16] In FY 2009, the District was ranked 48th among all states, Puerto Rico, and the Virgin Islands in the timely issuance of first payments to claimants. This was a significant decrease in performance from its ranking of 12th in FY 2007 and 18th in FY 2008 (see Table 1).

[13] According to DOL, an "issue" is any circumstance, condition, or act that could potentially disqualify a claimant from receiving benefits. Any issue must be resolved before benefits can be paid to a claimant. An example of an issue is if a claimant indicates he was discharged from his last employment voluntarily or was terminated due to misconduct.
[14] Core measures encompass oversight on key performance areas and uniform national acceptable levels of performance.
[15] In the D.C. Code pertaining to unemployment compensation, the term "week" refers to a calendar week. In the District, Saturday is the "week ending date."
[16] D.C. Code § 51-109(5) (2001).

Table 1. District of Columbia Performance in Meeting First Payment Timeliness (14/21 - Day Timeliness)

FY 2005 – FY 2009

Year	District Performance	State Ranking	District of Columbia Unemployment Rate	Number of Initial Claims
2005	85.3%	46	6.5%	17,048
2006	88.8%	37	5.7%	18,393
2007	94.0%	12	5.4%	17,645
2008	90.9%	18	6.6%	33,671
2009	70.7%	48	10.2%	52,898

Another core measure is the percentage of nonmonetary determinations made within 21 days.[17] During the nonmonetary determination process, additional information is gathered and a determination rendered to ensure that payments are made only when due. The acceptable level of performance for this core measure is that 80% of nonmonetary determinations are to be made within 21 days of when the nonmonetary issue was detected. In this category, the District ranked 46th in FY 2009 among all states, Puerto Rico, and the Virgin Islands (see Table 2).

Table 2. District Performance on Nonmonetary Determinations
FY 2005 – FY 2009

Year	District Performance	State Ranking
2005	59.0%	44
2006	66.2%	41
2007	67.0%	39
2008	70.7%	31
2009	33.6%	46

Table 3 on the following page compares the District's performance to states that are performing well in issuing unemployment payments. As stated previously, the team interviewed representatives from all of these states except North Dakota.[18]

[17] A "nonmonetary determination" is a decision made by OUC based on facts related to a detected issue, which has the potential to affect a claimant's benefit rights.
[18] The team attempted to speak to representatives from North Dakota but was unsuccessful.

Table 3. Timeliness of Issuing First Payments
(14/21-Day Timeliness)

January 1, 2009 – December 31, 2009

Jurisdiction	U.S. Department of Labor Ranking	Performance
North Dakota	1	97.0%
South Dakota	3	94.8%
Ohio	5	94.2%
Delaware	7	91.1%
West Virginia	10	90.3%
District of Columbia	50	69.9%

This special evaluation focused on factors that impacted the District's timeliness in issuing unemployment benefits. This report highlights deficiencies in OUC's infrastructure and management controls to ensure that unemployment insurance claims are processed timely.

Employee Survey

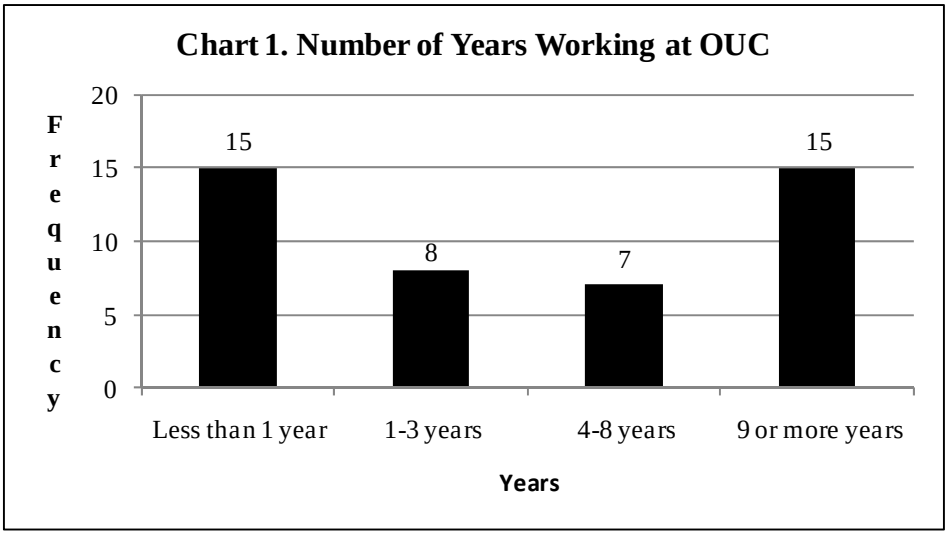
Survey Methodology

In December 2009, the team distributed 73 confidential online surveys, and analyzed 45 responses received by February 2, 2010, which represent a response rate of 62%.[19]

In addition to gathering demographic information from respondents, the survey consisted of two types of questions. First, employees responded to closed-ended statements by selecting from a Likert[20] scale of Strongly Agree, Agree, Disagree, Strongly Disagree, and Not Applicable. In the table of survey results on page 13, the Agree column represents the combined responses for the Agree and Strongly Agree answers, while the Disagree column represents the combined responses for the Disagree and Strongly Disagree answers. The table also lists the percentage and frequency of Agree and Disagree responses as well as the frequency of Not Applicable/Missing responses. The percentage of Agree and Disagree responses is based on the total number of Agree and Disagree responses, excluding Not Applicable/Missing responses. The second type of question was an open-ended question to solicit employees' narrative feedback.

Information on Survey Respondents and Findings

Three of the survey's respondents indicated that they were a supervisor or manager at OUC. As reflected in the Chart below, 15 of the respondents had been working at OUC for less than a year while another 15 had been working 9 or more years.



[19] The team did not administer the survey to the OUC Associate Director or DOES personnel external to OUC. While the team received 46 responses, one survey was excluded because only the two initial background questions were answered.

[20] A Likert scale is bipolar scaling, measuring either positive or negative response to a statement. The format of a Likert scale is typically a five-level item such as 1) Strongly Disagree, 2) Disagree, 3) Neither Agree nor Disagree, 4) Agree, 5) Strongly Agree.

As the following table reflects, the majority of OUC employees provided negative responses to many of the survey questions. This was most significant in responses pertaining to adequate staffing, morale within OUC, ability to respond timely to customer inquiries within 24 hours, and inter-office collaboration.

Table 4. Results From Closed-Ended Survey Questions

Employee Survey—Responses to Closed-Ended Questions			
Item	Percent and Frequency		Frequency
	Agree	Disagree	Not Applicable / Missing
1. I have a clear understanding of my duties and responsibilities.	76.7% 33	23.3% 10	(2)
2. OUC ensures that I am adequately trained to perform my duties and responsibilities.	56.8% 25	43.2% 19	(1)
3. There are written policies and procedures to cover all key aspects of my duties and responsibilities.	45.5% 20	54.5% 24	(1)
4. I have sufficient resources (i.e., equipment, supplies, etc.) to perform my duties and responsibilities.	50.0% 22	50.0% 22	(1)
5. My workload is manageable.	43.2% 19	56.8% 25	(1)
6. OUC has adequate staff to complete work timely.	11.9% 5	88.1% 37	(3)
7. The different units in OUC work collaboratively and effectively together.	40.9% 18	59.1% 26	(1)
8. My direct supervisor routinely reviews the quality of my work.	55.8% 24	44.2% 19	(2)
9. My direct supervisor provides me with useful and constructive feedback when reviewing my work.	63.4% 26	36.6% 15	(4)
10. Agency management welcomes my opinions and suggestions.	48.7% 19	51.3% 20	(6)
11. Morale is positive at OUC.	30.2% 13	69.8% 30	(2)
12. I am able to respond to client phone calls, emails, and inquiries within 24 hours.	34.1% 15	65.9% 29	(1)

Open-Ended Questions

In response to the question of what could be done to improve the timeliness of issuing unemployment benefits, the most frequent responses pertained to hiring more staff (24), providing additional training and a training manual (10), the need for more technological resources (9), as well as the need for disseminating policies and procedures (7). One respondent wrote, “Hire sufficient staff to compensate for the backlog, current and future claims . . . .”

Another stated, "Hire more staff and train them properly. The work is overwhelming for the amount of staff that we currently have, compared to the work load. It's impossible to meet timeliness." For the finding and recommendations pertaining to training, see Finding 2 — **OUC does not provide formal, job-specific training**.

Regarding policies and procedures, one respondent wrote, "Develop/provide standard operating procedures or training manuals that accurately outline processes and procedures to effectively perform duties." Another wrote, "A comprehensive review should be conducted to establish standard operating procedures to provide clear guidance instead of relying on individual interpretation of policy and procedures." For the finding and recommendations pertaining to procedures, see Finding 1 — **OUC lacks a policies and procedures manual for processing claims**.

Recommendation:

That the D/DOES review the survey results and task OUC managers and employees to collaborate in order to develop and implement strategies to improve the cited deficiencies.

Agree _____**X**_____ Disagree _____

DOES' December 2010 Response, as Received:

DOES agrees with this finding and appreciates the independent survey provided to OUC employees. DOES's own interviews, meetings, focus groups with supervisors and employees are consistent with these survey findings.

This survey was conducted when the OUC witnessed unprecedented levels of unemployed workers seeking help and a dramatic increase in unemployment claims at the start of what is now known as the "Great Recession." DOES's own findings resulted in implementing many reform changes in OUC leadership and structure, including hiring a new management team, making the Associate Director for the Office of Unemployment Compensation (OUC) a direct report to the agency director, raising standards for accountability among managers, increasing training for UI staff, including revamping job descriptions and training new and veteran staff using guidance and support of the US Department of Labor (DOL) and its resources, and making automation and IT system development a part of the UI operations. This reform effort also formalized the launch of the District's full unemployment modernization plan.

DOES plans to reissue this same survey to OUC managers and employees in the near term as a tool to assist DOES in measuring the effectiveness of reform efforts thus far and the start of full modernization.

Please also refer to letter from DOES dated December 30, 2010 enclosed for all responses. [See Appendix 2].

KEY FINDINGS

1. OUC lacks a policies and procedures manual for processing claims.

Criteria:[21] The Government Accountability Office (GAO) recommends that management use "effective communication methods, which may include policy and procedures manuals . . ." to communicate important information to employees and others.[22]

A DOL official stated that there is no requirement, such as a federal regulation, nor a best practice that requires states to have a procedures manual. However, this individual added that it would be advantageous for an agency to have such a manual, and opined that all other states, except the District, probably have an existing procedures manual. This DOL official added that all states in the District's region have a procedures manual.[23]

Through interviews with officials from well-performing states, the team learned that some have issued a comprehensive manual. For instance, Ohio provided the OIG with a copy of its *Unemployment Compensation Policy Guide*. It provides guidance on identifying issues, conducting fact-finding, and making determinations. Officials from Delaware and West Virginia stated that they also have a policy manual.

Condition:[24] During the special evaluation, the OIG requested that DOES provide all internal policies, procedures, and other documents that guide the work of the Unemployment Compensation Program. Through observations and an interview with an OUC senior official, the team found that OUC did not have a comprehensive policies and procedures manual that provides a walk-through of the steps involved to process initial unemployment claims.[25] This official added that OUC contracted with a vendor to develop one and a first draft was due in June 2010. However, the OUC official was not certain when the manual would be finalized.

A DOL official stated that throughout OUC, there are few written procedures in its various sections. For instance, OUC has no written policies on how to process a claim or investigate an overpayment. While there may be employees with institutional knowledge, when these employees leave, OUC will lose this knowledgebase in the absence of documented procedures. The official added that one of the first things OUC should do is develop written procedures for standardization and guidance. Further, this official stated that DOL has repeatedly recommended that DOES issue a policies and procedures manual, and recalled that in 2007, DOL gave written recommendations to OUC to this effect.

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[21] "Criteria" are the rules that govern the activity being evaluated. Examples of criteria include internal policies and procedures, District and/or federal regulations and laws, and best practices.
[22] GENERAL ACCOUNTING OFFICE, INTERNAL CONTROL MANAGEMENT AND EVALUATION TOOL, GAO-01-1008G 55 (Aug. 2001).
[23] The states in the District's region include Delaware, Maryland, Pennsylvania, Virginia, and West Virginia.
[24] The "condition" is the problem, issue, or status of the activity being evaluated.
[25] OUC has issued various Unemployment Insurance (U.I.) Information Notices that mainly explain specific changes in laws and provisions for unemployment insurance benefits. For example, one U.I. Information Notice stated that the maximum weekly benefit had been changed; another notice authorized payment of unemployment insurance benefits to individuals who become unemployed due to domestic violence.

During interviews with claims examiners and adjudicators,[26] some of the following concerns were expressed to the team about OUC's lack of written policies:

- There is no manual, policy, or reference guide that employees can use when processing and adjudicating a claim.
- While there is the D.C. Code, it can be subject to different interpretations when training is insufficient. Some OUC claims examiners use DOL's handbook, but it does not detail every step of the process. When employees have questions, they ask other employees.
- Because employees are doing things differently, we need written procedures to provide us with adequate guidance.
- We do not have adequate policies. There is no booklet that provides specific examples of how cases should be processed for employees to review and use as a guide.
- Policies would be helpful to explain how to better handle a wide variety of unemployment topics.

Although OUC managers and employees discussed concerns with the team about the lack of policies at OUC, an OUC manager stated that the current policies regarding adjudicating initial claims were adequate. The team followed-up with this manager in April 2010 and asked to review these policies; however, the manager was unable to provide them.

Cause:[27] An OUC senior official was uncertain why OUC had not previously developed a comprehensive procedures manual. This official stated that when he/she began his/her current position in early 2009, there was no manual.[28] A manager opined that because OUC managers were so busy, they did not think of writing a manual. An adjudicator stated that he/she has asked why there are no standard operating procedures, but has never received an answer.

Effect:[29] An adjudicator stated that by not having a manual for guidance, employees process claims inconsistently and this may create a backlog of work in completing cases. Another stated that by not having policies, employees are uncertain of all the actions they need to complete when processing claims. An OUC manager stated that OUC needs a manual because when employees resign, their institutional knowledge leaves with them as information has not been preserved in written form.

According to one OUC manager, a manual will help to ensure that employees perform their duties consistently and reduce misinterpretation of rules, which should reduce errors. One OUC senior official opined that a comprehensive policy and procedures manual would benefit OUC because it would contain information for all claims examiners to know in order to process claims regardless of their assigned unit. This official added that it would help provide more guidance and instruction to claims examiners so they are better able to process claims.

[26] An OUC senior official stated that claims examiners who work in the Adjudication Unit are referred to as "adjudicators."
[27] The "cause" is the action or inaction that brought about the condition being evaluated.
[28] This official was no longer employed at OUC as of May 2010.
[29] The "effect" is the impact of the condition being evaluated.

A DOL official stated that written procedures provide standardization and guidance so employees will not receive different answers from other employees.

Accountability:[30] OUC senior managers are responsible for ensuring sufficient policies and procedures are developed, implemented, and followed.

Recommendation:

That the D/DOES expeditiously ensure the completion and issuance of a comprehensive policies and procedures manual for processing unemployment claims, and formalize a mechanism by which it will be periodically reviewed and updated.

Agree _____**X**_____ Disagree _____

DOES' December 2010 Response, as Received:

DOES agrees with this finding. DOES Director and the agency's new management was concerned to discover that many necessary and long-overdue systems and processes were not already in place at DOES when the Director of DOES was appointed in December 2008. The rapid increase in unemployment claimants due to the national recession exacerbated these serious underlying issues. (This is also noted in the initial claims data in Table 1. District of Columbia Performance in Meeting First Payment Timeliness (14/21 - Day Timeliness, above).

In April 2010, DOES instituted a major effort to reform and improve operations. DOES brought in a new OUC management team with tremendous experience in unemployment insurance policy, technology, customer service and innovation to lead this reform and modernization effort. DOES also launched a parallel modernization effort of its legacy computer and telephone systems.

While the OUC does not have a comprehensive policies and procedures manual, in June 2010, DOES created a benefits intake and control procedures manual which has been used in new and veteran employee trainings. This manual, which includes diagrams and processes for the District On-Line Compensation System, serves as a guide as we undertake the effort to document existing procedures as well as policies and procedures that will guide the full modernization effort. OUC has completed the necessary review of current Standard Operating Procedures and associated guidance / policy memo. OUC has developed a Statement of Work to engage a vendor to produce new policies and procedures for modernization. The process to secure a vendor is in its final stage.

Please also refer to letter from DOES dated December 30, 2010 enclosed for all responses. [See Appendix 2].

OIG Response: **While DOES' response appears to meet the intent of this recommendation, DOES should make it a priority to expedite the completion and issuance of a**

[30] "Accountability" is a description of who is responsible for the condition being evaluated.

comprehensive policies and procedures manual. As stated in the finding, an OUC senior official informed the team that OUC contracted with a vendor to develop a manual and that a first draft was due in June 2010. Although 6 months have elapsed, DOES is now stating that the process to secure a vendor to produce new policies and procedures for modernization is in "its final stage."

2. OUC does not provide formal, job-specific training.

Criteria: GAO recommends that agencies have an appropriate training program to meet the needs of all of its employees,[31] to include orientation for new employees and ongoing training for all employees.[32]

A DOL official stated that there are no statutes, regulations, or best practices regarding specific training that should be provided to OUC-type employees, and that each state can decide on the training it provides. This official added that ideally, employees should complete 6 months of initial training, consisting of at least 3 weeks of classroom instruction and on-the-job training for the remainder of the period.

Condition: Through interviews, the team learned that OUC does not provide structured, formal classroom training to new employees on how to review and issue claims. Although it had done so previously, an OUC senior official stated that OUC was no longer providing this training program as of April 2010.

A DOL official stated that OUC does not provide sufficient employee training. DOL provided a 2-day, basic unemployment insurance training course to new OUC employees on how to process a claim in April 2009 and provided a 1-week adjudication training course in June 2009. The official added that DOL provided this training at OUC's request and DOL recommended it for new employees.

According to OIG survey results, 43.2% of employees disagreed or highly disagreed when asked if OUC ensures that they are adequately trained to perform their duties and responsibilities. During interviews, OUC employees expressed various opinions about issues with employee training. For instance, one adjudicator admitted having to constantly ask senior co-workers many questions because there is a lack of sufficient training and this employee was not always certain of the actions to take when working on a claim. In addition, the adjudicator stated that he/she never received classroom training. Another adjudicator stated that OUC provides quick informal training on a particular topic only after DOL identifies errors on claims. This employee added that additional training should cover how to make eligibility determinations, how to determine base periods, customer service, an overview of OUC units, and how to manage high caseloads. Another adjudicator stated that the training at OUC is not sufficient and adjudicators receive a lot of verbal directives. For instance, OUC has group

[31] GENERAL ACCOUNTING OFFICE, INTERNAL CONTROL MANAGEMENT AND EVALUATION TOOL, GAO-01-1008G 12 (Aug. 2001).
[32] *Id.* at 18.

meetings, but documents are not distributed as a reference. Employees take notes during these meetings, but some may have different interpretations of what they hear. This adjudicator added that employees should receive monthly or quarterly training on issues that impact their work.

Employees expressed concerns with the lack of on-the-job training. One adjudicator stated that after DOL's week-long adjudication training, they were assigned their own claims. This adjudicator added that it would have been helpful to work alongside an experienced employee to learn more about the adjudication process prior to working their own claims. Another adjudicator expressed that he/she thought new employees would have been paired with experienced employees. However, new employees were told not to ask questions of the existing employees so that they would not learn bad habits. This adjudicator added that one supervisor cannot handle all of the employees' questions. Another adjudicator recalled that a supervisor sat with each employee one time for about 1 hour to help employees better understand the adjudication process.

An OUC senior official stated that a Review Team, created in June 2009 and composed of experienced adjudicators, provided guidance to adjudicators every other week for 1 hour on issues identified by OUC as needing improvement. In December 2009, the OIG inspection team requested that OUC provide a list of training provided during FY 2009 as well as planned training for FY 2010. OUC only provided a list of planned topics for the Review Team to cover during FY 2010. The OIG never received a list of training provided during FY 2009 although the list was officially requested twice. The team also requested a copy of the written agenda and lesson plan for each of the Review Team sessions, but OUC did not provide the requested documentation. Upon following up with a claims examiner designated to provide this information, this employee speculated that agendas or lesson plans for these sessions did not exist.

The team spoke with three officials from well-performing states and learned that they provide the following training:

- South Dakota provides on-the-job training. For 4 weeks, new claims examiners sit with experienced claims examiners to observe and listen to calls and ask questions after completion of a call. After 4 weeks, the new claims examiner is allowed to answer customer calls and is given a designated point of contact for questions.
- Delaware provides on-the-job training for new intake claims examiners for 3 months. While they rely on DOL to provide training once a year on the entire process of issuing claims, a new worker is paired with a seasoned worker to observe processes. The adjudicators receive both 3 months of intake claims examiner on-the-job training and 2-3 months of adjudicator on-the-job training.
- West Virginia recently put classroom training on the "back burner" due to the significant increase in the workload. Previously, they had frequent classroom training on interviewing claimants and employers as well as policy issues. However, they continue to provide on-the-job training for up to 6 months in which a new employee is paired with a seasoned employee. Additionally, they re-hired a

retired manager to go to various field offices to work with employees one-on-one to provide training on laws and policies.

Cause: During an April 2010 OIG interview, an OUC senior official opined that training provided by DOL and OUC's Review Team was sufficient.[33] Based on this opinion, the OIG questions whether OUC leadership recognizes the need for formal training.

In regard to on-the-job training, an OUC senior official stated that OUC tried this approach from around December 2009 through early April 2010. Two well-performing adjudicators trained other adjudicators who were not performing well. However, due to the volume of claims, the well-performing adjudicators were unable to keep up with their own workload. The OUC senior official stated that while it would be beneficial to have on-the-job training, the agency does not have enough employees to provide it.

Effect: In calendar year (CY) 2009, OUC hired 26 claims examiners. However, a lack of formal training may impact their ability to process claims effectively and timely.

An adjudicator explained that new employees were hired to handle telephone calls for initial claims, but they did not have sufficient training to answer claimants' questions. As a result, these new employees would forward telephone calls to someone who has been at OUC longer, which took time away from those employees adjudicating their own claims. Another adjudicator stated that he/she has to wait for supervisory guidance given that other employees typically form a line at the supervisor's office seeking direction. A third adjudicator stated that when the extended benefits program began, he/she did not receive any explanation or guidance on how to implement it. He/she added that a year later, the federal government conducted an audit and found OUC was processing claims incorrectly. This adjudicator stated that OUC should provide training on various topics, such as the extended benefit programs,[34] and should have provided training on changes in laws and how the changes impact the unemployment insurance program.

A DOL official stated that employees need to be fully trained to competently answer claimant questions. If they have not been properly trained, they will probably not be successful at processing and adjudicating claims, and claims processing will be delayed. The official added that it is important to provide training to enhance employees' confidence in answering claimants' questions. When employees cannot answer questions because they do not know the answers, it can impact morale. The official also opined that without sufficient training, employees may develop bad habits.

As a result of inadequate training, supervisors and senior managers must devote significant time to answer questions of less experienced employees. Although developing and providing training may require an upfront time commitment for OUC personnel, the result

[33] However, at a later point during this same interview, the official stated that additional employees and training were needed. This official was no longer employed with OUC as of May 2010.
[34] According to DOL, extended benefits are provided to workers who have exhausted their regular unemployment insurance benefits during periods of high unemployment.

should be that these measures provide guidance to employees in order to reduce errors and the amount of time supervisors and senior employees spend answering questions.

Accountability: DOES senior officials are responsible for the development and implementation of structured, formal classroom and on-the-job training for its employees.

Recommendations:

(1) That the D/DOES provide structured, formal classroom training on processing initial claims to its claims examiners and adjudicators.

Agree _____**X**_____ Disagree _____

(2) That the D/DOES provide adequate on-the-job training on processing initial claims to its claims examiners and adjudicators.

Agree _____**X**_____ Disagree _____

DOES' December 2010 Response, as Received:

DOES agrees with this finding.

As the high performing Unemployment Offices have noted, claims examiners and adjudicators need several months of continued training to run an effective and efficient Unemployment Insurance unit. To meet this key need while responding to the exploding level of new claims, DOES implemented several trainings, mentoring, and re-trainings for both new and veteran adjudicators in the last year, including the creation of an in-house training office and the development of training content for the general administration of UI. In August 2010, DOES hired a Chief of Benefits with twenty years of unemployment insurance experience to lead training efforts. OUC also reorganized workload distribution to include skills based claim assignment by issue type - for example, recognizing some examiners are more skilled with separation issues, OUC broke our claims examination team out into skill groups and assign cases based on the issue complexity. OUC has also expanded training on issue resolution (specific to separation issues) and enabling all the appropriate systems access to our claims examiners necessary to resolve and/or clear the issue preventing their timely payment. Finally, supervisors and employees are also being trained on an ongoing basis as new technology is implemented. DOES is grateful to the Department of Labor's Regional Office, for its guidance, support, and extraordinary level of assistance to identify solutions to UI issues in an effort to turn around the UI operations and make the long-overdue and much needed improvements to UI.

Please also refer to letter from DOES dated December 30, 2010 enclosed for all responses. [See Appendix 2].

OIG Response: **The above actions cited by DOES, as well as establishing an Interim Training Manager position and implementing adjudicator training (see response to Finding 4), appear to meet the intent of this recommendation. However, the OIG was**

unable to determine whether DOES is providing structured, formal classroom training as DOES did not submit any training documents that outline the purpose, content, or manner in which the training is provided. While DOES acknowledged that DOL has provided guidance and support, the OIG believes that it is essential for DOES to provide its own formal classroom training and adequate on-the-job training in order to reduce its reliance on DOL as well as reduce errors in claims processing.

3. High employee turnover impacts stability of operations.

Criteria: GAO recommends a work environment that does not have "excessive personnel turnover in key functions, such as operations and program management . . . ."[35] GAO also emphasizes that an agency "consider[ ] the effect upon operations if large numbers of employees are expected to leave or retire in a given period."[36] In December 2007, D.C. Mayor Adrian Fenty declared, "[i]t is imperative that the District recruits, retains and then develops the next generation of leaders before decades of institutional knowledge walk[ ] out the door."[37]

When employees resign from District service, exit interviews can be used to gather their feedback to help find ways to improve agency operations. According to best practices in recruitment and retention, "[i]nformation gleaned [from exit interviews] should form the basis for making improvements that help to attract and retain talent."[38] The U.S. Office of Personnel Management (OPM) suggests that agencies analyze trends from various sources of information including exit interviews.[39] A D.C. Department of Human Resources (DCHR) specialist stated that District agencies are not required to conduct employee exit interviews. However, they are encouraged to conduct them because it helps an agency understand why employees resign. This DCHR employee opined that most District agencies conduct exit interviews.

Condition: According to a DOL official, OUC has experienced frequent turnover in its Associate Director position and lacked long-term leadership stability compared to other states in the region. For instance, West Virginia has had long-term directors and senior employees. (As illustrated in Table 3 on page 10, West Virginia was ranked highly for issuing payments timely in CY 2009.)

The Director of DOES has various responsibilities, including the provision of overall policy guidance, direction, and leadership for the agency; establishing budgetary and programmatic priorities; and overseeing the effective administration of various programs, such as employment, training, worker protection, and customer service programs. Since January 2007, there have been four different DOES Directors/Interim Directors, including the current Director

[35] GENERAL ACCOUNTING OFFICE, INTERNAL CONTROL MANAGEMENT AND EVALUATION TOOL, GAO-01-1008G 13 (Aug. 2001).
[36] *Id.* at 19.
[37] Http://dc.gov/mayor/news/release.asp?id=1194&mon=200712 (last visited May 21, 2010).
[38] Http://www.personneltoday.com/articles/2005/08/23/31258/exit-interviews-how-to-conduct-them.html (last visited May 15, 2009).
[39] *See* http://apps.opm.gov/HumanCapital/tool/toolhtml.cfm (last visited May 20, 2010).

who was hired in December 2008.[40] Around the time of the most recent transition, DOES significantly dropped in its state ranking in timeliness from 18 in FY 2008 to 48 in FY 2009 (see Table 1 on page 9).

According to the position description, the Associate Director is responsible for administering the unemployment insurance program. This includes handling the daily administration of OUC as well as developing policies and procedures relating to the eligibility and cancellation of benefits.[41] Since May 2008, there have been three Associate Directors/Interim Associate Directors. The OIG learned that the most recent Interim Associate Director was hired in May 2010.

OUC also has encountered significant employee turnover and the hiring of new staff. An OUC manager explained that in 2008, 10 experienced adjudicators retired. According to information provided by DOES, six OUC claims examiners were terminated and one supervisor retired during calendar year 2009.[42] OUC hired 26 claims examiners during CY 2009.

Cause: An OUC senior official explained that one former Associate Director passed away, but the official was unaware why another left the agency. A manager stated that one reason for turnover in the Director and Associate Director positions is that existing employees may be overwhelmed by the responsibilities of the position. An adjudicator opined that OUC leadership did not assess the composition of the OUC workforce to realize that many employees were at retirement age. The leadership did not prepare for the exodus of employees by identifying and developing future managers. As a result, they promoted senior claims examiners who lacked management experience to supervisory positions.

To better understand the reasons for employee turnover, the team tried to ascertain whether DOES conducts employee exit interviews. Although an OUC senior official stated that if an employee resigns there is an exit interview, the team was unable to determine who conducts these interviews.

According to two DOES human resource employees, DCHR conducts exit interviews to understand employees' opinions about working at DOES. One of these employees stated that DCHR has not provided the results of these interviews to DOES. This DOES employee did not know why DOES was not conducting employee exit interviews. A DCHR specialist stated that DCHR conducts exit interviews with employees who resign from DOES. A DCHR senior manager explained that DCHR does not share the results of exit interviews with agencies as part of the exit interview process; however, it probably would if an agency requests the information.

[40] This Director resigned from DOES in December 2010, after issuance of DOES's response.
[41] During OIG fieldwork, the Associate Director disclosed also serving as the Equal Opportunity Manager, the Americans with Disabilities Act Coordinator, and the Associate Director for the Office of Compliance and Independent Monitoring.
[42] According to data from DOES, as of December 7, 2009, OUC had 45 claims examiners who have been employed with DOES, not necessarily OUC, an average of 7.8 years with a median of 1.15 years, ranging from 8 months to 35 years.

Effect: Adjudicators expressed concerns about the lack of knowledge on the part of OUC's new managers and supervisors. Two stated that this deficiency limits the amount of guidance employees receive. Another stated that he/she will receive different answers to the same question from different supervisors.

A manager stated that when new Directors and Associate Directors come to the agency, they have their own ideas about how to improve operations. However, some of the ideas are never fully implemented due to turnover. Additionally, this manager added that employees become confused when one manager wants to handle a process one way and another wants to do it differently.

In November 2009, an OUC senior official stated that employee turnover had affected operations. This official added that the loss of employees increased the number of cases distributed among the remaining adjudicators, which increased their workload and slowed the adjudication process.[43]

Managers stated that when they hire new employees, it takes time for them to learn the processes. They added that because these employees are new, they are not able to complete work as quickly. According to one of these managers, the high unemployment rate in the District and the limited number of DOES employees have caused DOES to fall short of its timeliness standards.

Accountability: DOES senior officials are responsible for identifying and addressing issues that impact employee retention.

Recommendations:

(1) That the D/DOES identify and implement strategies to increase employee retention in senior positions to minimize the impact of departures on agency operations.

Agree _____**X**_____ Disagree _____

(2) That the D/DOES implement a policy requiring DOES' HR employees to conduct formal exit interviews upon an employee's departure, as practicable, or consider routinely requesting the results of exit interviews from DCHR.

Agree _____**X**_____ Disagree _____

DOES' December 2010 Response, as Received:

DOES agrees with this finding. In April of 2009, the OUC hired 26 employees to assist in the high volumes of claims the agency received as the recession deepened. In the last several

[43] In April 2010, this official gave the team a contradictory opinion in which he/she said that there was no problem with employee turnover. This official was no longer employed at OUC as of May 2010.

years, OUC's aging workforce has begun to retire. This knowledge of UI policies, procedures and operations is being shared through regular meetings between new and veteran staff and in meetings with the Interim Associate Director and managers. As noted in the previous finding, this also occurs in its employee training programs. OUC also engages the Department of Labor (DOL) to find qualified candidates for vacant positions.

As of December 2009, DOES's Human Resources Officer conducts a survey with all exiting employees. DOES is also working with DCHR to ensure exit interviews are held and information is shared, as practicable.

Please also refer to letter from DOES dated December 30, 2010 enclosed for all responses. [See Appendix 2].

OIG Response: **DOES' response does not indicate whether DOES has been identifying and implementing strategies to increase employee retention in senior positions. DOES stated its Human Resources Officer has been conducting exit interviews since December 2009. However, two representatives from DOES' Human Resources Office informed the team in February 2010 that DOES is not conducting them. We suggest that DOES' senior leadership ensure that exit interviews are occurring.**

ADDITIONAL FINDINGS

4. The Adjudication Unit lacks quality assurance and monitoring of employee performance.

Criteria: GAO recommends that agencies have "[q]ualified and continuous supervision"[44] in furtherance of internal control objectives. GAO also recommends that agencies provide "[m]eaningful, honest, constructive performance evaluation and feedback . . . to help employees understand the connection between their performance and the achievement of the agency's goals."[45]

OPM guidance states that "[m]onitoring well means consistently measuring performance and providing ongoing feedback to employees . . . on their progress toward reaching their goals."[46] OPM also states that "[o]ngoing monitoring provides the supervisor the opportunity to check how well employees are meeting predetermined standards . . . ."[47]

Condition: According to OIG survey results, 44% of OUC employees disagreed or highly disagreed that their direct supervisor routinely reviews the quality of their work (see Table 4 on page 13). As a result of interviews and reviewing OUC performance data, the OIG found inadequate monitoring of employee performance in the Adjudication Unit. One adjudicator complained of insufficient supervision because of the supervisor's many responsibilities and having to spend significant time answering questions from other employees. Another adjudicator expressed similar concerns with receiving supervisory assistance, which at times is delayed due to other employees waiting in line for supervisory direction. He/she opined that this supervisor has limited time as there are so many employees reporting to him/her.

The team reviewed employee workload data from the Adjudication Unit and found wide variation in caseload volume as well as the number of issues that had not been resolved in 21 days or were approaching the 21-day deadline (see Table 5 on the following page). For example, out of 23 adjudicators, 1 had 7 overdue issues out of 8 total whereas another had 527 overdue issues out of 587 total.

[44] GENERAL ACCOUNTING OFFICE, INTERNAL CONTROL MANAGEMENT AND EVALUATION TOOL, GAO-01-1008G 37 (Aug. 2001).
[45] *Id.*
[46] U.S. OFFICE OF PERSONNEL MANAGEMENT, A HANDBOOK FOR MEASURING EMPLOYEE PERFORMANCE: ALIGNING EMPLOYEE PERFORMANCE PLANS WITH ORGANIZATIONAL GOALS 4 (Jan. 2001).
[47] *Id.*

Table 5. OUC Adjudicator Issues/Workloads (As of January 11, 2010)

Frequency Category: Number of Assigned Issues	Number of Adjudicators With Assigned Issues Per Frequency Category	Number of Adjudicators With Overdue Issues Per Frequency Category
1 – 50	3	4
51 - 100	5	6
101 - 200	11	10
201 – 300	2	2
301 – 400	1	0
401 – 500	0	0
501 - 600	1	1
Total	23	23

Note: Five adjudicators did not have any issues assigned to them and were not included in this analysis because they were reassigned to another unit.

In April 2010, an adjudication manager stated that the disparity in the number of assigned issues was reasonable because adjudicators at higher grade levels are assigned more cases than those at lower grade levels; some adjudicators with a greater workload have issues assigned to them that require less work; and some adjudicators work faster than others. The manager added that in January 2010 some adjudicators were processing only one claim per week, whereas previously, they processed 20 or more claims each. He/she opined that the unexplained reduction in performance may result in Performance Improvement Plans (PIP) for underperforming employees. This manager commented that it was his/her first time issuing a PIP, although he/she has been a manager in the unit for 20 years.

A limitation for managers in adjudication to monitor production is that in order to review the total number of issues assigned, resolved, and overdue among the adjudicators, managers must manually count information in the management information system (MIS) as it cannot produce routine performance reports. For additional information about this issue, see Finding 5 — **Management Information System was unable to produce key performance reports**.

In November 2009, an OUC senior official commended the caliber of employees working for OUC, as well as their performance. This official added that due to the high volume of claims, employees could only do so much and that no employees were on a PIP. Subsequently, in April 2010 (5 months after the OIG began its inspection and asked questions about workload and timeliness), OUC managers began to notice that some adjudicators were not performing satisfactorily. This senior official stated that to assist adjudicators who were not performing well, he/she assigned other employees to work with them and also reassigned cases. However, OUC management did not see improvements in performance. This official stated that 8 of 20 adjudicators (40%) in the Adjudication Unit were placed on a PIP on April 12, 2010, because they had not completed their work in a timely manner.

Cause: In April 2010, an OUC manager stated that although another manager had been hired in the Adjudication Unit, an additional manager was needed in the Adjudication Unit so that supervisors did not have to manage more than 12 employees each. This manager added that

various supervisory responsibilities prevented greater opportunities for one-on-one interaction with adjudicators. As a result, this manager only spends about 30 minutes to 1 hour per day assessing overall performance and identifying areas needing improvement. By contrast, this manager spends about 4 to 5 hours each day handling individual claims. An OUC senior official claimed, however, that there was a sufficient number of supervisors to monitor the processing of initial claims. Additionally, the same official stated that OUC's current performance plans did not include specific measures to assess timeliness in adjudicating claims. OUC was revising these plans to reflect this measure for the next year.[48]

Although an OUC senior official initially cited a high volume of claims, it appears to the team that deficient employee performance and inadequate monitoring of workloads also contributed to the OUC's processing delays.

Effect: An OUC manager stated that the insufficient number of supervisors prevents managers from providing quality guidance to employees. A DOL official stated that when managers do not provide sufficient oversight and supervision, employees may make mistakes, which if not corrected, can become "ingrained."

Accountability: OUC senior officials and managers are responsible for ensuring that there are a sufficient number of supervisors and/or mechanisms to manage and monitor employee performance.

Recommendation:

That the D/DOES identify and implement strategies to ensure that there is an ongoing quality assurance and performance monitoring program, and that progressive disciplinary actions are taken promptly as needed in accordance with the District Personnel Manual.

Agree _____**X**_____ Disagree _____

DOES' December 2010 Response, as Received:

DOES agrees with this finding. During the period of June – September 2010, DOES OUC leveraged tools for employment and ID verification and performance management of claims examiners that were not already in place. OUC secured the National Directory of New Hires database, a Social Security number check, and Direct Deposit application/payment process which has significantly improved operations.

DOES also established a "performance-stat" review session, chaired by the DOES director, to review all UI performance measures on a monthly basis with those managers directly responsible for each performance area. OUC also implemented an aggressive performance management system that incorporates training, mentoring, and re-training for both new and veteran adjudicators through employee performance plans and improved the intake

[48] The OIG notes that although timeliness measures were not included in adjudicators' performance plans, OUC officials stated that adjudicators were placed on PIPs due to timeliness issues.

process to ensure timeliness of payment involves a combined effort of systems upgrade, clarity of instruction to the claimant in the application process.

In addition, critical, scalable initiatives to address have been implemented as follows:

- *Implemented Adjudicator Training – July 2010*
  - *Two week classroom training provided by Training/Quality Review Staff dedicated to adjudication process*
- *Hired Chief of Benefits with over 20 years experience in UI – August 01, 2010*
  - *Reallocated two line management personnel with near equal claims examiner to manager ratios*
- *Established Interim Training Manager – September, 2010*
  - *While new position is in process of approval, Interim Training Manager responsible for the creation and implementation of new hire/continuous improvement training that addresses knowledge gaps in staff. This position works closely with Benefits Chief to ensure additional needs expressed in focused monitoring are including in Training plans.*
- *Established weekly staff performance reporting/preshift meetings – December, 2010*
  - *Front line managers review performance by claims examiner on their teams and set specific team goals for the week.*
  - *Weekly review by Claims Examiner with Benefits Chief and Interim Director. Performance improvement monitoring and plans for each claims examiner reviewed.*

These efforts are demonstrating continuous improvement in Quality performance as referenced in the following table:

	Quarters				
Issue Type	***9/30/2009***	***12/31/2009***	***3/31/2010***	***6/30/2010***	***9/30/2010***
Separations	***48.30%***	***31.30%***	***63.30%***	***55.20%***	***67.90%***
Non-Separations	***51.90%***	***53.10%***	***83.30%***	***82.10%***	***88%***

Improvement Quarter ending 03/31/2010 was due to 100% review by Quality Team of all determinations prior to submission to the claimant. This process was NOT scalable as it did not ensure knowledge transfer back to the claims examiner through focused training. Once Training plans based on sampling and front line manager insight implemented, true performance improvement is indicated 09/30/2010

Please also refer to letter from DOES dated December 30, 2010 enclosed for all responses. [See Appendix 2].

OIG Response: **According to a DOES official, the table cited in the agency's response reflects DOES' performance with meeting a DOL core measure that at least 75% of**

nonmonetary determinations for separations and non-separations[49] have a quality score of at least 95 points. The above percentages reflect how many of their sampled claims met this standard of 95 points. DOES appears to have met the intent of this recommendation based on the improvements cited in this table as well as the various methods DOES has stated it has implemented to monitor performance.

5. Management information system (MIS) was not able to produce key management performance reports.

Criteria: GAO recommends that an agency manage, develop, and revise its information systems "to continually improve the usefulness and reliability of its communication of information."[50] The National State Auditors Association and GAO agree that it is essential to have electronic information in order to achieve government organizational objectives and that organizations measure and monitor results to assess performance.[51]

According to a DOL official, agencies report data to DOL on performance measures such as timeliness with issuing first payments. However, DOL does not require agencies to have a MIS to produce reports on agency or employee performance.

Condition: During onsite observations and interviews, the team learned about the following limitations to OUC's MIS, known as the Non Monetary (Non Mon) system:[52]

- preparing the data provided to the OIG required an OUC manager to manually tabulate the data;
- it is slow and not always available for employee use during the day;
- data do not always transfer between the Non Mon and another system;
- data requests have to be sent to a senior official at OUC and are not available to Information Technology (IT) staff;[53]
- it takes time to navigate through the various screens; and,
- it does not always save entered information.

In January 2010, the team requested basic performance statistics from OUC, including workload and timeliness data. For instance, the team requested the aggregate percentage of claims processed by each OUC employee within 14 days, 15-21 days, and 22 or more days for

[49] According to DOL, separation issues relate to circumstances that surround a claimant's separation from his/her job, including voluntary quits and discharges, and nonseparation issues relate to requirements for continuing eligibility for unemployment benefits, such as being able and available to work.
[50] GENERAL ACCOUNTING OFFICE, INTERNAL CONTROL MANAGEMENT AND EVALUATION TOOL, GAO-01-1008G 55 (Aug. 2001).
[51] NATIONAL STATE AUDITORS ASSOCIATION AND THE GENERAL ACCOUNTING OFFICE, MANAGEMENT PLANNING GUIDE FOR INFORMATION SYSTEMS SECURITY AUDITING 2 and 36 (Dec. 2001).
[52] OUC uses the Non Mon system to record such information as a claimant's name, dates that payments were issued, any identified issues with a claim, and the name of the assigned adjudicator.
[53] An OUC senior official stated that the DOES IT Director did not have any of the information requested by the team because the IT Director did not work directly within OUC.

the period of September 1 - December 31, 2009. After various follow-up requests,[54] we received four different sets of data from OUC on January 29, 2010, February 16, 2010, February 23, 2010, and March 26, 2010, but never received the basic performance data requested.

An OUC manager stated that to obtain the total number of issues assigned, resolved, and overdue for adjudicators, he/she manually counts information in the Non Mon system because it cannot perform this function.[55] For instance, the manager explained that by selecting a specific adjudicator, the Non Mon system will list all new issues given to the adjudicator on that day, but it will not give the cumulative number of issues with the adjudicator. As a result, the manager must perform a manual count. It takes an employee 1 day to produce workload reports if this is the only task performed during that day. If the employee has other responsibilities to complete, it typically takes about 3 days to tabulate the information. A DOES IT representative stated that the system cannot generate performance reports for each examiner, such as the total number of claims assigned or processed within 21 days.

In September 2010, the Executive Office of the Mayor (EOM) announced a plan to replace the District's computer and telephone UI system as part of DOES' modernization efforts.[56] The EOM committed up to $27 million to the project, which will be led by DOES in coordination with the Office of the Chief Technology Officer (OCTO). Reportedly, DOES also plans to triple the number of its claims examiners. A DOES IT representative stated that the Non Mon system will be replaced during the modernization project. DOES predicted the new system, which will be able to generate performance reports, will be fully implemented in 2 years, but that some parts of the system may be ready for use in August 2011.

Cause: An OUC manager was unsure why its MIS cannot produce management reports. The manager added that OUC officials reported that IT employees have been busy making improvements to the systems as well as migrating data from one system to another but IT personnel have not had time to complete all projects. This manager added that the IT employees intend to make changes to the system to produce information such as the total number of cases assigned to each adjudicator.

A DOES IT representative stated that the system could be programmed to provide this type of information, but the representative did not know why the programming had not been done. This official added that it did not appear as if there was a strategy to identify the various needs when the computer systems were created and there was not enough thought put into critical metrics that should have been developed for managing operations.

[54] After not receiving the data requested, in February 2010, the team limited its request to the total number of initial claims with each employee and the number of these that were more than 22 days old as of January 11, 2010. When the team still did not receive the requested data, the team modified its request again on March 9, 2010, and asked for the aggregate data for any day between March 2 – 6, 2010.

[55] An OUC database, Web Enabled Benefit Services (WEBS), is able to produce data on the aggregate number of claims processed by OUC annually.

[56] *See* http://mayor.dc.gov/DC/Mayor/About+the+Mayor/News+Room/Press+Releases/Fenty+Administration+Launches+Massive+Modernization+of+District+Unemployment+Insurance+System (last visited Oct. 26, 2010).

Effect: Because they cannot routinely produce key performance data, OUC managers are not equipped to monitor employee performance. Due to deficiencies in the MIS, supervisors have difficulty identifying those who are not meeting performance standards, and do not take expeditious progressive disciplinary actions when necessary.

An OUC manager stated that it would be an immediate benefit if the system were programmed to generate information such as the total number of cases per adjudicator, as the process presently requires manual tabulation.

***Accountability*:** DOES senior officials and managers are accountable for ensuring that OUC has an adequate MIS and processes for developing routine management reports of key performance indicators.

Recommendation:

That the D/DOES implement enhancements to its MIS to routinely and quickly produce real-time reports of aggregate division and individual employee performance data.

Agree _____**X**_____ Disagree _____

DOES' December 2010 Response, as Received:

DOES agrees with this finding regarding improved reporting capabilities by our Management Information System (MIS). While it has been widely acknowledged by recent announcements, systems modernization intends to facilitate much faster issue resolution through updated business rules and more robust reporting. The Agency acknowledges the systems available to management now, however, can be improved/ leveraged on an iterative basis so that performance improvements can be realized.

The current system is operating on a mainframe, programmed using COBOL language code. While readability of COBOL is long purported to be one of its strengths, the vast changes over the years to this code in accordance with updates to laws, performance standards and economic fluctuations have created a back end reporting environment that can be difficult to decipher.

Compounding system challenges has been vendor performance on whom OUC relies for all reporting, data management and systems administration. Thorough contract review demonstrated lack of specificity of fundamental performance expectations consistent with Agency commitment to our constituents. Because of the critical dependence the OUC has on vendor performance as stated, new OUC management has realigned vendor team, engaged vendor executive leadership in monthly reviews on performance (or lack thereof) to include action plans for failures and management alignment on key strategic priorities. In addition, we are commencing negotiation of new contract requirements in partnership with OCP while leveraging internal OIT resources to take over key functions of these systems.

As such and concurrently, we have subsequently resolved all of the key management reporting issues during our iterative improvement strategies formally commenced June 2010 to include:

- *Federal Report Clean Up Initiative – in partnership with vendor resources, realigning all data field definitions with DOL guidelines and recoding. All reports are committed to be fully aligned and recoded by end of December 2010 – Status On Target*
- *Clearly defined performance reports with intent and Program sign off prior to implementation*
    - *As stated in the previous finding, critical to management is volume/productivity reporting by Claims Examiner.*
- *Development of Monthly Dashboard Report*
    - *Implemented to coincide with Monthly Reviews with Director of the Agency, reports are generated internally with same field criteria used in DOL Quarterly reports.*
    - *This enables staff management the critical insight into performance improvement trends and actions*
- *Leveraged IVR technology for call routing by issue and productivity reporting by Examiner*
    - *These weekly reports allow insight into call volume trends, repeat calling my constituent and staff performance for improved accountability and parity among examiners.*
- *Internal OIT Staff hiring*
    - *CIO is in process of hiring internal programmers who will attend training, run reports as needed and transition programming knowledge from vendor.*

Please also refer to letter from DOES dated December 30, 2010 enclosed for all responses. [See Appendix 2].

OIG Response: **DOES appears to have met the intent of this recommendation, as DOES cited various reports it will develop or is currently using to monitor employee performance. However, as stated in the finding, the OIG found that DOES employees are manually aggregating performance data because DOES' MIS cannot produce it. DOES did not clarify whether its MIS or employees are generating the reports cited in its response. The OIG encourages DOES to remain focused on enhancing its MIS to develop such reports in order to reduce staff hours spent on such matters.**

APPENDICES

APPENDICES

Appendix 1: List of Findings and Recommendations

Appendix 2: DOES Letter in Response to Draft Report dated December 30, 2010

APPENDIX 1

List of Findings and Recommendations

Employee Survey:

That the D/DOES review survey results and task OUC managers and employees to collaborate in order to develop and implement strategies to improve the cited deficiencies.

Key Findings:

1. <u>OUC lacks a policies and procedures manual for processing claims.</u>

That the D/DOES expeditiously ensure the completion and issuance of a comprehensive policies and procedures manual for processing unemployment claims, and formalize a mechanism by which it will be periodically reviewed and updated.

2. <u>OUC does not provide formal, job-specific training.</u>

(1) That the D/DOES provide structured, formal classroom training on processing initial claims to its claims examiners and adjudicators.

(2) That the D/DOES provide adequate on-the-job training on processing initial claims to its claims examiners and adjudicators.

3. <u>High employee turnover impacts stability of operations.</u>

(1) That the D/DOES identify and implement strategies to increase employee retention in senior positions to minimize the impact of departures on agency operations.

(2) That the D/DOES implement a policy requiring DOES' HR employees to conduct formal exit interviews upon an employee's departure, as practicable, or consider routinely requesting the results of exit interviews from DCHR.

Additional Findings:

4. <u>The Adjudication Unit lacks quality assurance and monitoring of employee performance.</u>

That the D/DOES identify and implement strategies to ensure that there is an ongoing quality assurance and performance monitoring program, and that progressive disciplinary actions are taken promptly as needed in accordance with the District Personnel Manual.

5. <u>Management information system (MIS) was not able to produce key management performance reports.</u>

That the D/DOES implement enhancements to its MIS to routinely produce real-time reports of aggregate division and individual employee performance data.

APPENDIX 2

GOVERNMENT OF THE DISTRICT OF COLUMBIA
Department of Employment Services

ADRIAN M. FENTY
MAYOR

JOSEPH P. WALSH
DIRECTOR

December 30, 2010

Mr. Charles Willoughby
Inspector General
Office of the Inspector General
717 14th Street, NW
Washington, DC 20005

Dear Mr. Willoughby:

Thank you for the ongoing work of your office to improve the operation of the unemployment compensation system in the District through the Special Evaluation of the Department of Employment Services' Office of Unemployment Compensation. We appreciate the thorough work of your office through this special evaluation and other inquiries. We also view your recommendations as a blueprint to further improve the OUC as we undertake reform and modernization.

As you know, the operation of DOES's Office of Unemployment Compensation (OUC) has been an issue for many years; in fact the first briefing that the U.S. Department of Labor provided me in February 2009 detailed several long-standing and serious concerns about UI Operations in Washington, DC. I was concerned to discover that many necessary and long-overdue systems and processes were not already in place at DOES. Your work so far in alerting this agency to specific concerns and the overall special evaluation of the efficiency and timeliness of issuing unemployment compensation in the District has been a welcomed independent review of operations. I hope you agree that DOES has taken the steps your office has recommended so far, as well as several other efforts to improve operations. I'd like to update you on a few additional improvements.

The District, like every state during the recent economic downturn, has seen unprecedented levels of unemployed workers seeking help and a dramatic increase in unemployment claims. And like so many of other unemployment systems across the country, the District of Columbia's current Unemployment Insurance (UI) system is an old and badly outdated computer and telephone system. Our aging legacy mainframe computer system has long outlived its usefulness, and due to the recession is trying to keep up with claims taking demands 3 to 5 times what the system was ever designed to handle. The increase in unemployed claimants and the outdated UI system has too often resulted in delays for some claimants.

To address these concerns, DOES immediately instituted an effort to reform and improve our operations, and brought in a new management team with tremendous experience in UI policy, technology, customer service and innovation to lead this effort. We've also launched a parallel modernization effort of our legacy systems. DOES's OUC has also been undergoing a major reform and modernization effort to improve our operations. Currently, the District has already launched major parts of this modernization effort to improve service, including:

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- New Call Center technology allows managers to monitor calls for quality assurance.
- Instituted a new UI Fraud Detection System, including using the National Directory of New Hires database.
- Created a new program to allow unemployed residents to attend school and receive training in high demand occupations while receiving unemployment benefits.
- Created the first local extended benefits program in the nation to assure claimants did not lose benefits.
- Created a new benefit of $15 for each dependent.
- Digitizing claims adjudication process to minimize administrative effort and increase speed to resolution
- Secure connection to SSA database for identity validation upon new claim intake process.

Because of these changes, more than 55% of all claimants receive their initial payment within the Federal guidelines of 14 days, and those who do not because there are discrepancies or issues on their claims are having their claims reviewed and adjudicated faster.

These current reforms are beginning to show other important results for our claimants. For example, following the six-week gap in extended benefits that occurred before the last UI Extension was passed last summer, we launched a pro-active policy to communicate with all those impacted and to try to ensure their claims remained active. This effort prevented any further delay by enabling 85% of effected claimants to be paid a lump sum retroactive check within 1 week of the extension being signed into law. Most recently, further improvements enabled record turnaround time of less than three days programming execution and claims resumption from the date the legislation was signed by President Obama to the first batch of checks being distributed.

We've also taken immediate action to address important issues such those you raised in your Management Alert Report. Specifically, the Department has undertaken the much needed reforms to reduce fraudulent unemployment compensation payment, including use of this national directory of employment, hires and unemployment insurance information, which state workforce agencies across the country use to verify employment data, has been long-overdue in the District. Use of NDNH is now a regular part of the operation of the Benefit Payment Control (BPC) unit and electronic data matches with the Social Security Administration.

This system reform and modernization effort has already yielded positive results in improving our business process, and holds tremendous promise for long-term solution to many of the current issues in OUC. The American Recovery and Reinvestment Act (ARRA) has provided the District with nearly $27 million in UI Modernization funds, which we are dedicating to a complete replacement and transformation of our unemployment system, one which will speed up the time it takes to process claims, ensure claims are more accurate and reduce unemployment fraud by claimants and employers. Only a handful of states have undertaken such a major overhaul of their UI system. The District's multi-year, multi-million dollar unemployment insurance modernization will move us from using one of the oldest systems to one of the premier UI systems in the nation. This new state-of-the-art system will better serve unemployed residents faster and more accurately and is expected to take a few years to complete. In the meantime, we will continue to improve our system thanks to the efforts of the management team in place here now and the tremendously important investments provided through the ARRA.

Thank you again for working with our office. I look forward to continuing our reform and modernization efforts to provide the exceptional services people need at this critically important time and continuing to work with your office in our ongoing effort to improve the operation of the unemployment compensation system in the District.

Sincerely,

Joseph P. Walsh
Director