

November 13, 2012

2012-501

The Governor of California  
President pro Tempore of the Senate  
Speaker of the Assembly  
State Capitol  
Sacramento, California 95814

Dear Governor and Legislative Leaders:

This letter report presents the results of a follow-up review of the Employment Development Department's (department) administration of the unemployment insurance program (unemployment program) subsequent to recommendations made in 2011 by the California State Auditor (state auditor). In March 2011 the state auditor submitted a report to the governor and legislative leaders titled *Employment Development Department: Its Unemployment Program Has Struggled to Effectively Serve California's Unemployed in the Face of Significant Workload and Fiscal Challenges*, Report 2010-112. The report included recommendations that the department improve its services to the unemployed by enhancing its corrective action planning process and by using data from its new phone system to develop strategies and measurable goals related to reducing call volume, among other things. As Table 1 on the following page shows, this follow-up review found that the department has not implemented some of the recommendations that will help it to serve California's unemployed more effectively.

## Background

The department administers the unemployment program under the Social Security Act of 1935, which establishes a national unemployment program intended to provide temporary financial assistance to unemployed workers who meet the requirements of state law. Each state administers an unemployment program within the criteria established by federal law, and each state's program is subject to ongoing federal oversight. As part of this program, department staff (agents) assess individuals' initial claims for unemployment insurance benefits. To be eligible for unemployment benefits in California, individuals must meet the monetary eligibility requirement by having earned enough wages during a base period to establish a claim, and they must also meet nonmonetary eligibility requirements, such as being physically able to work and actively seeking work. Additionally, claimants must certify that they have met the nonmonetary eligibility requirements for each subsequent week that they claim benefits by submitting continued claim forms to the department. Claimants can submit initial claims or continued claims to the department through its Web site, over the phone, by mail, or by fax.

## The Unemployment Program Still Does Not Meet Acceptable Performance Levels Related to Core Benefits Measures

Despite the department's efforts to implement our recommendations, it continues to fail to perform at the acceptable level established by the United States Department of Labor (federal labor department) for two core timeliness measures. In our March 2011 report we found that the department's performance related to issuing promptly initial unemployment payments and

**Table 1**  
**Status of Actions Taken in Response to Recommendations in the California State Auditor’s Report 2010-112**

RECOMMENDATIONS	STATUS
To further enhance its corrective action planning process as a means of improving the unemployment insurance program, the Employment Development Department (department) should take the following steps:	
<ul style="list-style-type: none"> <li>Identify corrective actions that specifically address the timeliness measures it is trying to meet.</li> </ul>	Implemented
<ul style="list-style-type: none"> <li>Develop milestones that are specific and are tied to corrective actions to allow for monitoring the incremental progress of its corrective actions, similar to the milestones it established for some of the activities in its federal fiscal year 2011 corrective action plans.</li> </ul>	Implemented
<ul style="list-style-type: none"> <li>Establish several key performance targets or benchmarks that are tied to each specific corrective action to effectively gauge the impact of the actions on its goal of achieving the acceptable levels related to the timeliness measures.</li> </ul>	Not implemented
As part of an overall strategy to limit the number of calls it receives while still providing timely and effective customer service, the department should use existing data and additional data from the new phone system to gain a better understanding of why people request to speak to an agent. Using this information, the department should further develop strategies and measurable goals related to achieving a reduction in call volumes. For example:	
<ul style="list-style-type: none"> <li>To ensure that virtually all calls are able to gain access to the voice response portion of its new phone system, the department should monitor the volume of blocked call attempts and work with its phone system vendor if necessary to increase the system’s capacity.</li> </ul>	Not implemented
<ul style="list-style-type: none"> <li>To evaluate the effectiveness of its other efforts to provide services to claimants in ways that do not require them to speak to agents, such as Web-Cert<sup>SM</sup> and Tele-Cert<sup>SM</sup>, the department should periodically summarize and assess the more robust management information available under its new phone system.</li> </ul>	Not implemented
To maximize federal funding and provide unemployment benefits to those eligible under the alternate base period, the department should closely monitor its resources and project schedule to avoid any further delays in implementing the client database and ensure that it completes the alternate base period project by the federal deadline.	Implemented
To better track and improve the timeliness of determinations for the training benefits program and to assist claimants in understanding self-arranged training requirements, the department should do the following:	
<ul style="list-style-type: none"> <li>Take measures to ensure that its staff correctly enter all data into the training benefits program’s streamline tracking database.</li> </ul>	Implemented
<ul style="list-style-type: none"> <li>Track and report the number of claimants it determines are both eligible and ineligible for the self-arranged training and the reasons for these determinations to better focus some of its recommendations toward how it can assist claimants in understanding the program’s criteria.</li> </ul>	Partially implemented
<ul style="list-style-type: none"> <li>In addition, the department should track the number of claimants that it finds to be both ineligible for self-arranged training and ultimately ineligible for unemployment benefits and develop strategies to expedite the determination process for these claimants.</li> </ul>	Not implemented

Sources: The report by the California State Auditor (state auditor) titled *Employment Development Department: Its Unemployment Program Has Struggled to Effectively Serve California’s Unemployed in the Face of Significant Workload and Fiscal Challenges*, Report 2010-112 (March 2011) and the state auditor’s analysis of the department’s actions related to the recommendations.

to making decisions regarding claimants’ nonmonetary eligibility dropped dramatically in performance year 2010.<sup>1</sup> The performance drop was due to an increase in the department’s workload resulting from the State’s climbing unemployment rate and from several federal extensions of unemployment benefits, which prolonged the number of weeks for which individuals could claim benefits. Many of the recommendations in our 2011 report addressed the timeliness problem. When the department fails to make timely first payments or timely nonmonetary determinations, these delays directly affect how quickly claimants receive their unemployment

<sup>1</sup> The reporting period for federal performance measures is April 1 of the named year through March 31 of the following year. Because this period is different from the reporting periods for both the state and federal fiscal years, we refer to this reporting period as a performance year. For example, in *performance year* 2011, the reporting period covered April 1, 2011, through March 31, 2012.

checks and thus can cause hardship. For the quarter ending June 30, 2012, the department made 78 percent of first payments within the 14 days allowed under federal requirements, a modest increase from 72 percent attained for the quarter ending June 30, 2010. Although performance has improved, it remains well below the federal labor department's acceptable level of 87 percent, ranking California 41<sup>st</sup> among all states. Similarly, for the quarter ending June 30, 2012, the department made 75.3 percent of its nonmonetary eligibility determinations within the 21 days allowed, up slightly from the 75 percent of determinations it completed for the quarter ending June 30, 2010. However, the department still did not meet the federal labor department's acceptable level of 80 percent, earning the State a rank of 26<sup>th</sup> for this measure.

Although the State's unemployment rate has declined since 2010, the department still faces challenges in meeting acceptable timeliness levels. California's unemployment rate—though ranking third highest in the nation—decreased from 12.3 percent in June 2010 to 10.4 percent in August 2012. This improvement in the unemployment rate corresponded to a decrease in the department's workload of monthly claims; between June 2010 and August 2012 initial claims declined from about 296,000 to 209,000, and continued claims declined from 2.5 million to 2 million, and these declines may have affected timeliness in a positive way.<sup>2</sup> However, for federal fiscal year 2012, the federal labor department continues to designate California "at risk" with regard to its ability to fulfill federal statutory requirements for administering the unemployment program because the department has not yet reached an acceptable level of performance in certain core measures, including the timeliness of first payments to claimants.

### **The Department Has Yet to Implement Some of Its Long-Term Corrective Actions**

In our 2011 report we recommended that the department—to improve California's unemployment program—enhance its corrective action planning process by identifying corrective actions that specifically address the timeliness measures that the department must meet. The federal labor department requires each state to submit an annual State Quality Service Plan (quality plan), which serves as the principal vehicle for planning, recording, and managing its unemployment program's efforts to strive for excellence in service. As California has continued to fall short in meeting the federal timeliness requirements, the federal labor department has required the department to include within the quality plan annual corrective action plans that detail the steps it is taking to improve its performance. The department's corrective action plans over the last four years have included several major information technology (IT) projects and system application upgrades to automate much of its manual process for claims handling. The department asserted during our 2011 report that its long-term IT projects and system application upgrades would have the greatest impact on its ability to perform at a level that the federal labor department considers acceptable, particularly for making timely first payments.

However, as Table 2 on the following page indicates, the department still has not fully implemented certain of these key corrective actions. Specifically, because of the way the department has prioritized its multiple IT projects, in October 2010 it suspended the project to expand the types of claims it can process through web-based eApply4UI and, according to the department's program analysis and evaluation section chief (analysis section chief), it has no current plan to resume that project. In addition, the department delayed implementing the

<sup>2</sup> The workload of monthly claims is the number of claims filed during the four-week periods ending June 26, 2010, and August 18, 2012, respectively.

Continued Claims Redesign Project by about one year because other projects took precedence; however, it plans to implement that project in March 2013. Additionally, the department initiated another IT project—the California Training Benefits Streamline Process—but it has not implemented the process statewide. According to the department, prioritizing IT projects was largely due to the demand for IT resources resulting from the department’s entire portfolio of IT projects. Nevertheless, delaying these projects hinders the department’s ability to further improve its performance so that it can meet federal timeliness measures.

Further, although the department has implemented some IT projects as Table 2 shows, it has not measured the effectiveness of these projects. The Unemployment Insurance Call Center Network Platform and Application Upgrade (new phone system) has been completed as planned. However, the department has not implemented our recommendation to take advantage of the information available through the new phone system to evaluate the effectiveness of the unemployment program’s self-service options or to develop strategies to reduce call volume. Additionally, although the department has tracked usage for the Web-Cert<sup>SM</sup> online program since the program’s implementation, it has not evaluated the effectiveness of Web-Cert<sup>SM</sup> in improving the department’s performance on timeliness measures.

**Table 2**  
**Employment Development Department’s Long-Term Corrective Actions**  
**Federal Fiscal Years 2008 Through 2012**

CORRECTIVE ACTION	PROJECT DESCRIPTION	PROJECT STATUS	POTENTIAL IMPACT ON THE ABILITY OF THE EMPLOYMENT DEVELOPMENT DEPARTMENT (DEPARTMENT) TO MEET FEDERAL PERFORMANCE MEASURES
Continued Claims Redesign	Will enhance the ability of unemployed workers (claimants) to certify for benefits on a biweekly basis through the Web or over the phone.	Not Implemented*	Direct
eApply <sup>†</sup> Modernization	Expands the types of claims the department can process through the eApply4UI application and allows it to autofile certain claims.	Suspended	Direct
Web-Cert <sup>SM</sup>	Allows claimants to certify for benefits online.	Implemented	Direct
Unemployment Insurance Scheduling System	Automatically schedules eligibility determination appointments.	Implemented	Indirect, minimal impact
Call Center Network Platform and Application Upgrade <sup>‡</sup>	Replaces the department’s outdated call center platform and expands its call-handling capability.	Implemented	Direct
Electronic Benefit Payments (E-Pay) <sup>§</sup>	Provides benefit payments using an electronic payment system.	Implemented	Indirect, minimal impact
California Training Benefits Streamline Process	Expedites the department’s nonmonetary eligibility determination process for claimants who attend school or training while receiving benefits.	In progress	Direct, minimal impact <sup>  </sup>

Sources: The department’s corrective action plans from federal fiscal years 2008 through 2012, feasibility study reports, special project reports, and project status reports.

\* The Continued Claims Redesign Project implementation is delayed until March 2013.

† eApply includes Web-based claim filing and telephone claim filing applications used by department staff during claim-filing functions. This project has been suspended indefinitely.

‡ The Call Center Network Platform and Application Upgrade includes the Tele-Cert<sup>SM</sup> application that allows claimants to certify for benefits over the phone. While the department has implemented the upgrade, it is not obtaining the full benefit of the upgrade in connection with our recommendations, as we discuss later in this letter report.

§ E-Pay does not speed up the department’s processing of claims; it only expedites the payment.

|| The California Training Benefits program accounts only for about 3 percent of the department’s nonmonetary determinations.

## The Department's Corrective Action Plans Continue to Lack Adequate Measures for Monitoring and Assessing the Plans' Impact on the Department's Performance

Just as the department has not gauged the effectiveness of the IT projects that it has implemented, it has not yet developed measures to assess the impact of its corrective action plans on the department's performance. According to our 2011 recommendations, to further enhance its corrective action planning process, the department needed to identify corrective actions that specifically address the timeliness measures it is trying to meet and to develop milestones that are both specific and tied to these corrective actions so that it can monitor incremental progress. Further, we recommended that the department establish several key performance targets or benchmarks tied to each specific corrective action so that it can gauge the actions' impact on the department's goal of achieving the federal labor department's acceptable levels of timeliness. The federal labor department requires that the department include specific milestones—key corrective actions or improvement activities—with specific completion dates as part of the department's corrective action plans. The plans required by the federal labor department must include a description of how the department intends to monitor and assess its accomplishment of planned actions. Our March 2011 report concluded that the department's corrective action plans had not consistently included related milestones and performance measures.

Although the department has now established corrective action plans with relevant milestones, it has not created ways to measure how those actions affect the department's performance. We reviewed its 2012 quality plan, which describes the corrective actions that the department intends to take so that the unemployment program meets federal performance measures. Although the federal labor department approved the department's quality plan, the plan still has room for improvement. We noted that the department included all required data elements and has set milestones that generally relate to specific corrections or underlying causes. However, the plan still does not include specific performance targets or benchmarks related to those corrective actions. Therefore, the department has no way to monitor whether its actions are improving its timeliness.

One of the department's milestones relates to the department's marketing campaign to promote Web-Cert<sup>SM</sup> and Tele-Cert<sup>SM</sup>, which allow claimants to certify for benefits online and by phone, respectively. The department monitors the number of continued claim forms filed through the mail, Web-Cert<sup>SM</sup>, and Tele-Cert<sup>SM</sup> to assess the impact its marketing campaign has on the use of each method. However, this monitoring does not indicate the impact its marketing efforts have on improving its timeliness, only the extent to which claimants are using the different methods for filing continued claims. According to the chief of the unemployment insurance policy and coordination division (policy division chief), claims submitted through Web-Cert<sup>SM</sup> and Tele-Cert<sup>SM</sup> are easier to process in a timely way because these methods eliminate claimant errors. The policy division chief also stated that processing and payment times are faster because they eliminate the mailing times associated with the paper forms. Although the policy division chief's statements about the potential benefits of these projects may be reasonable, the department has no data to support these assertions because its milestones for the marketing campaign did not include any measurement or assessment that would show whether increased use of Web-Cert<sup>SM</sup> and Tele-Cert<sup>SM</sup> actually improved timeliness. According to its 2013 quality plan, the department plans to compare the processing times of a sample of continued claims submitted using Web-Cert<sup>SM</sup> and Tele-Cert<sup>SM</sup> with the processing times of the paper forms for

continued claims to determine how many days sooner, on average, the department processed and paid certifications for benefits. This measure of processing times is a good example of a performance measure that addresses our recommendation.

The department lists as another milestone in its corrective action plans that it will perform an analysis of backdated initial claims.<sup>3</sup> By backdating claims, the department automatically reduces the number of days it has to make timely first payments. In September 2011 the department modified its backdating policy to allow one week rather than up to three weeks of backdating. According to the policy division chief, the analysis will enable the department to track the number of backdated claims over time to determine whether department agents are following its policy to backdate claims by one week only. However, this analysis provides no indication of the improvement in timeliness, actual or anticipated, resulting from a reduced number of backdated claims.

According to the policy division chief, the department is unable to determine the effect that each milestone in its corrective action plans has on the timeliness measures because it is difficult to isolate milestones to see if they play an individual role in improved timeliness. Additionally, the policy division chief asserted that the department is confident that its milestones contribute to improved timeliness even though it cannot demonstrate any such impact. She indicated that the department's goal is to improve timeliness and its data analysis milestones serve to identify the root causes of the department's inability to meet the federal performance measures. However, without performance targets or benchmarks, the department cannot assess the effectiveness of individual milestones and thus is hindered in determining where best to focus its improvement efforts.

### **Callers Continue to Have Difficulty Accessing the Department's New Phone System and Agents**

As part of an overall strategy by the department to provide effective service yet reduce the number of calls that claimants need to make, the department should use—as recommended in our 2011 report—its existing data plus additional data from its new phone system to better understand why claimants want to speak to an agent. Further, we recommended it should use this information to develop strategies and measurable goals to reduce the volume of calls. In our earlier report, we noted that the department's data from its old phone system showed that many calls were not able to access the voice response system and that an increasing number of calls at that time were unable to access agents. The department reported that it implemented a new phone system in February 2011 to increase the number of calls it could handle and to provide unemployment program claimants with better access to agents. In our 2011 report we concluded, based on our analysis of its capacity, that the new phone system should prove adequate in accommodating incoming calls if call levels returned to levels seen in fiscal years 2001–02 to 2007–08. We also concluded that to the extent that call blockages declined, more calls would gain access to the phone system's voice response system, possibly resulting in additional attempts to reach agents. To help mitigate this challenge, we recommended that the department develop targeted strategies to reduce call volume. Because callers might continue to face problems with accessing the new phone system, we also recommended that the department closely monitor its blocked call attempts.

<sup>3</sup> Backdating is the department's practice of using as the effective date of a claim an earlier date than the date on which a claimant first successfully contacts the department to file a claim; backdating compensates for the delay that the claimant may have experienced in contacting the department.

Our follow-up in this area found that millions of callers continue to have difficulty accessing the department's new phone system and its agents. Specifically, as Table 3 on the following page shows, in fiscal year 2011–12 more than 17 million call attempts, or 24 percent of all calls, were blocked. Blocked calls are calls attempting to reach the phone system that cannot access it. Furthermore, of the 29.7 million calls in which individuals asked to speak with an agent, 24.9 million, or 84 percent, were unsuccessful. However, there is not a one-to-one relationship between the number of call attempts and the number of callers because a single caller may be responsible for multiple call attempts. As Table 3 shows, call attempts remained consistent at 71.9 million calls in fiscal years 2010–11 and 2011–12. However, the number of blocked calls nearly tripled, and the number of calls that did not reach an agent nearly doubled during this same period.

Although the number and percentage of blocked calls remain high, the department has not developed any specific goals related to reducing its blocked call rate. According to the unemployment insurance resource management division chief (resource management division chief), the department uses blocked call data each week as part of its workload management planning activity to help balance the number of staff assigned to phone and off-phone work. The resource management division chief also stated that blockages can vary widely based on many factors outside of the department's control. However, because callers appear to be experiencing significant difficulty accessing the new phone system, we continue to believe the department should implement our recommendation to monitor the volume of blocked calls.

Furthermore, the department apparently has not used data from its new phone system to understand why people request to speak to agents, nor has it used such information to develop strategies and measurable goals to reduce call volume. When we followed up on its activities related to this recommendation, the department cited four projects it had undertaken. However, it did not provide any analyses of data from its new phone system that led to these efforts, nor did the documents the department provided identify any measurable goals for reducing call volume.

In its one-year response to our March 2011 report, the department did report one project that may allow more callers to reach agents and thereby reduce overall call volume. According to a departmental fact sheet, the telephone claim-filing automated wrap-up and transfer project (wrap-up and transfer project) will allow claimants to be transferred from an agent back to the interactive voice response system (voice response system) to hear a series of prerecorded messages that will advise them of their claimant rights and responsibilities after they have filed their claim with an agent. Currently, an agent manually reads this information to claimants. By automating this portion of the claim-filing process, the department estimates that an agent will spend less time on calls with individuals who are filing claims, thus enabling the agent to answer more than 6,500 additional calls each year.<sup>4</sup> We anticipate that as agents answer more calls, there may be fewer repeat call attempts to the system and fewer attempts to reach an agent. According to the resource management division chief, this project is scheduled for deployment in early November 2012. Although the wrap-up and transfer project is a good example of a project with the kind of performance benchmark we expect the department to develop and measure for all of its projects, the department did not include a goal to measure whether this project, once implemented, will serve to reduce the volume of calls received.

<sup>4</sup> According to its analysis, the department anticipates that an agent will be able to answer more than 6,500 additional calls from English-speaking claimants or 4,900 more calls from Spanish-speaking claimants each year once it implements this project.

**Table 3**  
**Unemployment Rate and Call Center Data for Fiscal Years 2001–02 Through 2011–12**  
**(Calls in Thousands)**

FISCAL YEAR	UNEMPLOYMENT RATE*	TOTAL CALL ATTEMPTS	BLOCKED CALL ATTEMPTS			CALLS THAT ENTERED VOICE RESPONSE SYSTEM			CALLS REQUESTING AN AGENT			CALLS UNABLE TO ACCESS AN AGENT (OF THOSE REQUESTING AN AGENT)		
			NUMBER OF CALLS	PERCENTAGE OF TOTAL CALLS	NUMBER OF CALLS	PERCENTAGE OF TOTAL CALLS	NUMBER OF CALLS	PERCENTAGE OF TOTAL CALLS	NUMBER OF CALLS	PERCENTAGE OF CALLS THAT ENTERED THE VOICE RESPONSE SYSTEM†	NUMBER OF CALLS	PERCENTAGE OF CALLS REQUESTING AN AGENT	NUMBER OF CALLS	PERCENTAGE OF CALLS UNABLE TO ACCESS AN AGENT
<b>Old Phone System‡</b>														
2001–02	6.3%	35,714	10,000	28%	25,714	72%	16,250	63%	7,800	48%				
2002–03	6.8	44,286	9,300	21	34,986	79	17,679	51	9,900	56				
2003–04	6.6	51,667	6,200	12	45,467	88	17,213	38	10,500	61				
2004–05	5.8	56,667	5,100	9	51,567	91	14,194	28	8,800	62				
2005–06	5.1	45,417	10,900	24	34,517	76	20,875	60	16,700	80				
2006–07	4.9	46,190	9,700	21	36,490	79	22,048	60	18,300	83				
2007–08	6.0	63,636	21,000	33	42,636	67	27,176	64	23,100	85				
2008–09	9.4	223,380	158,600	71	64,780	29	41,978	65	38,200	91				
2009–10	12.3	225,797	155,800	69	69,997	31	40,449	58	36,000	89				
<b>Old and New Phone Systems§</b>														
2010–11	12.1	71,858	6,224	9	65,634	91	19,600	30	12,800	65				
<b>New Phone System  </b>														
2011–12	11.2	71,886	17,336	24	54,551	76	29,719	54	24,923	84				

Sources: Unemployment rate data from the Web site of the Employment Development Department (department), its old phone system data, and the California State Auditor's analysis of data obtained from the department's Unemployment Insurance Call Center Network (new phone system).

\* On its Web site, the department provides users with the option of selecting seasonally or nonseasonally adjusted unemployment rates. For the seasonally adjusted amounts, the department adjusts the unemployment rate to remove or discount seasonal changes. For the purposes of our work, we used the unadjusted amounts.

† In this letter report we calculate the number of calls requesting an agent as a percentage of calls entering the voice response system rather than as a percentage of total calls because only calls that entered the voice response system are able to request an agent.

‡ These data are from our 2011 report. They were derived from data we obtained from the department for the phone system it was using at that time. Data included for fiscal year 2009–10 represent figures through May 2010.

§ These data were provided by the department in response to our review. The new phone system was implemented in all the department's call centers in February 2011. The department did not include in these figures data from its Integrity and Accounting Division, Public Service Program, and self-service calls.

|| Fiscal year 2011–12 was the first year for which complete data from the new phone system were available for us to analyze.



As shown in the table by the high percentage of calls that do not reach an agent, the department's approach for handling the volume of calls it receives is not working, a situation that reinforces the importance of implementing our recommendation to take a more strategic approach to reducing call attempts. For example, we analyzed data from the new phone system to understand why people wanted to speak to agents. The new phone system records the agents' "skills" that callers select, such as the ability to speak a certain language or an agent being knowledgeable about filing claims. When we analyzed those skill selections from February 2011 through July 2012, we found that more than half of the reasons for which callers wanted to reach an agent were to get help certifying for weekly payments or to ask a question about claims. If the department was able to identify and resolve the issues with the certification and claim-filing processes that are leading claimants to call the department, more claimants might be able to file their claims without assistance, thereby reducing both the number of calls to the department and the number of requests to speak with agents. In providing the department's perspective on this, the resource management division chief stated that without considerable effort by the department to survey and analyze individual calls, it would not be feasible to identify the common issues with the claims filing or certification processes that are leading claimants to call the department. According to the resource management division chief, this effort would take resources away from the department's processing of claims and other work. Although the department might initially need to invest resources to implement our recommendation, we believe this investment would ultimately be offset by the resources it would save reducing the number of calls to agents and allowing them to focus on processing claims.

We also recommended in 2011 that the department use the more robust management information available under the new phone system to evaluate the effectiveness of its efforts to provide self-service options to claimants and to target its efforts to reduce the number of calls it receives. In our earlier report, we found that the new phone system's voice response system allows claimants to certify for benefits using Tele-Cert<sup>SM</sup>, provides guidance about various forms and information on the eligibility determination and appeals processes, and provides the department's Web site address, where claimants can obtain additional information and file claims without speaking to an agent. In fact, the department stated in its one-year response to our March 2011 report, that a key strategy is to provide customers with multiple options to access unemployment services. In its response to our recommendation, the department cited marketing efforts to educate claimants about these multiple access options and efforts to enhance claimant self-service options through the Continued Claims Redesign Project as specific strategies employed to reduce call volume. The department, however, was unable to provide us with any documentation that shows the impact of these efforts on reducing call volume. Moreover, as discussed earlier in this letter report, the department has delayed the implementation of the Continued Claims Redesign Project until March 2013. In addition, although the department asserts that it is providing claimants multiple options to access unemployment services, the volume of call attempts, blocked call attempts, and calls unable to access an agent during fiscal year 2011-12 suggest that many claimants are still choosing to use the phone system and are experiencing significant difficulties when they do so.

The department has not used information from the new phone system to evaluate the effectiveness of its self-service options and to target its efforts to reduce call volume. According to the statement of work that describes its capabilities, the new phone system must be able to report on everything a caller and agent do in the phone system. The phone system contractor maintains the voice response system data in a database it manages, which the department can access through standard reports. The contractor also exports the information to an external

unemployment program database from which the department can access information through custom reports it can create. We requested that the department provide us a copy of the data from its external database. After providing those data to us, the department identified a significant amount of data from the voice response system that was missing from the external database. According to the department, the phone system contractor's process for exporting the data to the external database had failed in some instances, and this failure resulted in the missing data. However, because the department did not have any process in place to verify that the contractor appropriately transferred voice response system information, it was unaware of this failure on the contractor's part until we requested the data. According to the unemployment insurance resource management division chief of staff (chief of staff), the statement of work has no requirement that addresses the contractor's loading of data to the external database. However, because the information was incomplete, the department could not have accurately evaluated its self-service options using its external database. Nevertheless, according to the contractor and an IT support employee of the department, the contractor has begun transferring all the data from the voice response system to the external database and is fixing the transfer process. We would expect the department to ensure that the contractor transfers appropriately all data to the external database in the future.

Furthermore, although the standard reports available from the contractor apparently gave the department access to the information in the voice response system, it did not use this information to address our recommendation. According to the chief of staff, the department generates ad hoc reports about its voice response system depending on business need, projects, or requested analysis. We reviewed samples of standard reports relating to caller selections in the voice response system that the department provided to determine whether the department used this information to address our recommendation. However, these reports did not include any analyses by the department that evaluated the effectiveness of its self-service options as a strategy to reduce its call volume.

Although we were unable to analyze the missing voice response system data, we still believe the department could benefit from analyzing those data. Based on our understanding of the types of information the new phone system is capable of capturing, the department could determine which of its self-service options that claimants most frequently select and then develop strategies for providing that information outside of the phone system so as to reduce call volume. For example, if its analysis of the data were to show that a significant number of callers want information about the appeals process, the department could make additional efforts to provide on its Web site or through standard mailings that information to claimants. According to the resource management division chief, the department plans to conduct an analysis of the voice response system once certain enhancements to the system and its self-service options are completed as part of the implementation of the Continued Claims Redesign Project. By taking these kinds of strategic actions, the department could reduce the number of people who need to call.

### **The Department Has Not Fully Implemented the Streamline Process for the California Training Benefits Program**

The California Training Benefits program (training benefits program)—for which the determinations constitute a very small portion of the department's nonmonetary eligibility determinations—allows eligible claimants who lack competitive job skills to receive unemployment benefits while attending approved training. As our 2011 report discussed,

the duration of the department's process for determining eligibility for the training benefits program, during which time claimants do not receive unemployment benefits, averaged 4.6 weeks for the period of July 2007 to March 2010. According to the department, to address delays in its determining individuals' eligibility, it developed a simplified or streamlined process for determining eligibility for some claimants planning to participate in the training benefits program (streamline process) by allowing them to complete an enrollment verification form rather than having to schedule an eligibility interview. As we indicated in our 2011 report, the department implemented the first two phases of the streamline process in 2010 for claimants who were participating in trainings authorized under the Workforce Investment Act and the Trade Adjustment Assistance programs.

As part of the implementation of the streamline process, the analysis section chief told us that the department created the Streamline Tracking System (streamline database) in part to track the length of time required for its determinations for claimants participating in the authorized trainings. In our 2011 report, however, we identified errors in the streamline database; because of those errors, we concluded that data from the database were not sufficiently reliable for ascertaining the average time it took the department to process an application from receipt until determination. To correct this problem of data reliability, we recommended that the department ensure that its staff correctly enter all data into the streamline database. The department reported that it had made corrections to the database to ensure that data fields are validated and to prevent blank or empty fields. Our follow-up review assessed the data in the streamline database, and the department appears to have corrected the logical issues we initially identified.

The department has not fully implemented the third phase of the streamline process, which includes claimants who are attending self-arranged training and other state training programs. The third phase accounts for the majority of training benefits claimants. According to the policy division chief, once the third phase is fully implemented, in conjunction with the ongoing first two phases, the streamline process will encompass most claimants under the training benefits program. The policy division chief explained that some claimants will have to be scheduled for a telephone conversation to determine eligibility if they have multiple eligibility issues that the department needs to review and adjudicate to determine eligibility, and thus these claimants will not be able to use the streamline process. In its one-year response, the department indicated that because it knew its IT branch could not meet the planned January 2012 implementation date for the third phase, it decided to implement a pilot program for this phase in four of its nine adjudication offices to avoid further delaying development.

The department also indicated in its one-year response that it had determined it needed a database storage solution to expand the streamline process. According to the department, it had a high-level schedule for developing and implementing this solution, and it expected formal release in July 2012. However, when we followed up on the department's progress on this project, the analysis section chief told us that the department had delayed the release of the database storage solution because IT resources were unavailable and the department was not able to provide an anticipated implementation date. Instead, the analysis section chief stated that the department is still using the streamline database to store all the third-phase streamline data generated from the pilot program. The analysis section chief also reported that the department hoped to add the remaining five adjudication offices to the pilot program by December 2012; cautioning that workload, staffing levels, and the maximum capacity of the current third-phase database would be factors in the department reaching this goal.

According to the department's one-year response, preliminary data from the third-phase pilot show that the department is processing determinations of eligibility for the training benefits program within three days. However, because the department took on average more than four weeks to determine such eligibility under its regular process and more than half of its adjudication offices are still not using the streamline process, the department's inability to expand the streamline process to encompass all applicants to the training benefits program in July 2012 as initially planned results in continued hardship for many of these claimants.<sup>5</sup>

### **The Department Has Not Yet Used Training Benefits Program Information That It Is Tracking to Develop Recommendations for an Upcoming Report**

In 2011 we recommended that the department track and report the number of claimants it determines eligible and ineligible for self-arranged training and the reasons for these determinations. The department could then use these figures to better focus some of its recommendations in a report that it must submit to the Legislature not later than 2016 on how it can assist claimants in understanding training benefits program criteria. Our 2011 report found that 80 percent of the department's 2009 eligibility determinations for the training benefits program involved claimants who had enrolled in self-arranged courses, and it deemed a majority of these claimants ineligible for the training benefits program. Legislation enacted in 2010 revised some of the eligibility criteria for self-arranged training to allow more claimants to take advantage of the training benefits program (Assembly Bill 2058, Chapter 591, Statutes of 2010). The legislation also requires that the department submit a report to the Legislature that must include the number of claimants for training benefits who are eligible under self-arranged training for 2007 through 2014 and recommendations for improving the effectiveness and efficiency of the training benefits program.

During our current review, we found that although the department has reported that it now tracks the number of and reasons for its self-arranged training determinations, it has not yet used this information to develop recommendations for the report it must submit in 2016. According to its one-year response, the department is using a weekly report to track this information, and it started doing so with data from the week ending July 9, 2011. According to the policy division chief, the department is in the process of extracting and preserving older data and putting data into a format that will allow for analysis. The policy division chief noted that until they complete data analyses, the department cannot fully develop recommendations for the report. In addition, according to the policy division chief, the department is waiting to develop its recommendations until it has more longitudinal data for its training benefits determinations using the revised eligibility criteria in the 2010 legislation. However, applicants to the training benefits program would benefit if the department used the information gathered thus far to conduct additional outreach communicating the criteria that applicants under self-arranged training most often fail to meet. For example, by informing the public about the criteria that result in most of the department's determinations of applicant ineligibility, the department could help individuals make better-informed decisions when selecting a training program, thereby helping to reduce the number of determinations of applicant ineligibility.

<sup>5</sup> The department asserted in its one-year response that in 2011 the average wait time for an appointment to determine eligibility for the training benefits program was 9.4 days. Because the scope of this review was to follow up on the recommendations from our 2011 report, we did not validate the 2011 statistic.

### **The Department Has Not Tracked the Number of Claimants Whose Efforts to Participate in the Training Benefits Program Led to Ineligibility for Unemployment Benefits**

In 2011 we recommended that the department track the number of claimants that it finds to be both ineligible for self-arranged training and ultimately ineligible for unemployment benefits and that it develop strategies to expedite the determination process for these claimants. However, the department has not implemented this recommendation. As discussed earlier in this report, the time the department takes to determine eligibility for the training benefits program can be lengthy. Claimants for training benefits are neither able to work nor available for work—two of the eligibility criteria considered in granting unemployment benefits—because they are enrolled in full-time training, and therefore they generally will be ineligible to receive unemployment benefits if they are found ineligible for the training benefits program. However, because the department does not track this information about these claimants, it is unclear how often claimants are ineligible for both training and unemployment benefits.

According to the analysis section chief, the department has not tracked the number of these claimants because doing so would be labor-intensive and time-consuming, and the reporting unit that would be responsible for the tracking is short-staffed. The analysis section chief further stated that the department's solution to expediting the determination process for these individuals is to process all training benefits claims through the streamline process as soon as possible so that all claimants receive timely determinations. As we explained earlier, however, the streamline process is not in place for all claimants for training benefits, and the department does not have an anticipated date on which the process will be in place. Until it implements the streamline process for all claimants for training benefits, claimants would benefit if the department determined—if only on a sample basis—the prevalence of claimants losing eligibility for unemployment benefits because they applied for training benefits.

### **The Department Implemented Its Project for the Alternate Base Period on Time and Received \$839 Million in Stimulus Funds**

To maximize federal funding and provide unemployment benefits to those eligible under the alternate base period, we recommended in 2011 that the department closely monitor its resources and project schedule to ensure that it completed its alternate base period project by the 2012 federal deadline. In the American Recovery and Reinvestment Act, Congress authorized the secretary for the federal labor department to award up to \$7 billion in unemployment compensation modernization payments (incentive payments) that states could use to pay unemployment benefits or unemployment administration costs. California was eligible to receive up to \$839 million in incentive payments. To receive these payments, California must have had in place state laws that require the department to implement an alternate base period. The federal labor department describes *base period* as the time period a state uses as the basis for deciding whether an individual had sufficient earnings to be eligible for unemployment insurance. Under the alternate base period, the state has to consider wages from the most recently completed four calendar quarters when determining the claimant's eligibility if he or she does not qualify under the standard base period—the first four of the last five completed calendar quarters. State law required the department to implement the alternate base period by April 2, 2012. The federal labor department certified the department's application for incentive funds in June 2011 and found that the department was entitled to a maximum transfer of \$839 million. The department subsequently received the incentive payment funds from the federal government in July 2011.

In July 2012 the department reported to the Legislature that it had successfully implemented the alternate base period program by April 1, 2012, and that it had processed 1,767 valid claims for the alternate base period as of May 12, 2012. We verified that the alternate base period is available on the application for unemployment benefits and that the department's single client database in fact recorded the 1,767 claims under the alternate base period.

## Conclusion

This review focused on relevant actions the department has taken related to recommendations that we made in March 2011. During our current review, we determined that the department fully implemented some of those 2011 recommendations. However, in several of the areas discussed in this letter report, we noted conditions that indicate a need for additional efforts by the department. We continue to believe that implementing the recommendations from our prior report will help the department to serve California's unemployed more effectively.

We conducted this review under the authority vested in the California State Auditor by Section 8543 et seq. of the California Government Code. We limited our review to those areas specified in the letter report.

Respectfully submitted,



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