

Employment Development Department

Its Unemployment Program Has Struggled to Effectively Serve California's Unemployed in the Face of Significant Workload and Fiscal Challenges

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This report concludes that over the last 10 years the Employment Development Department (department) has consistently failed to perform at a level the United States Department of Labor considers acceptable regarding its timely delivery of unemployment benefits. The department's attempts to resolve its performance deficiencies have had mixed results. Although increasing its staff and allowing them to work overtime has enabled the department to process significantly more claims, mitigate the effects of furloughs, and likely improve its performance, it has not fully implemented certain key corrective actions and the impact of others has been minimal or remains unclear. In addition, historical data the department provided us indicated that its previous phone system did not have the capacity to handle the necessary volume of calls and a high percentage of callers requesting to speak to an agent were unable to do so. The department activated its new phone system at its six main call center locations by December 2010. Although it is too early to tell using data from the new system, our limited capacity analysis suggests that the new system should be able to handle a substantially higher volume of calls; however, access to agents may continue to be a challenge. Moreover, in order to receive \$839 million in federal stimulus funds, the department must implement an alternate base period no later than September 2012 that would allow certain unemployed workers (claimants) to qualify for benefits if their earnings are not sufficient under the standard base period. Although the department stated that it will implement the alternate base period in April 2012, it is critical that it does so before the federal deadline. Finally, the department's process for determining California Training Benefits program eligibility for claimants has taken an average of four or more weeks, during which time the claimants did not receive unemployment benefits. Although the department has streamlined this process for some claimants, it does not appear to have a clear plan to improve its procedures for 80 percent of its determinations that involve claimants who desire to participate in self-arranged training.

In the report, the California State Auditor (state auditor) made the following recommendations to the department and the California Technology Agency. The state auditor's determination regarding the current status of the recommendations is based on the department's response to the state auditor as of September 2011, and the California Technology Agency's response as of November 2011.

Recommendation 1.1.a—See pages 27—34 of the audit report for information on the related finding.

To further enhance its corrective action planning process as a means of improving the unemployment program, the department should identify corrective actions that specifically address the timeliness measures it is trying to meet.

Department's Action: Pending.

In the department's six-month response, it acknowledged that it has not yet met federal timeliness measures for promptly issuing initial unemployment payments (first payment timeliness) and making nonmonetary determinations of claimants' eligibility for benefits. However, it indicated that it has made significant improvements in these areas from July 2010 through June 2011 based on its annualized performance for this period. Nevertheless, the department did not tie this improvement in performance to the results of specific corrective actions in its response.

Further, although the department indicated it will continue its efforts to further improve performance in these areas, it provided only one example of a corrective action plan that it is taking to do so. Specifically, the department believes that its launch of EDD Debit Cardssm in July 2011 will improve its first payment timeliness by at least one day once it implements a programming change to calculate this measure using the electronic payment date. However, the department provided no milestone indicating when it expects this change to be implemented.

Recommendation 1.1.b—See pages 27—34 of the audit report for information on the related finding.

To further enhance its corrective action planning process as a means of improving the unemployment program, the department should 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.

Department's Action: Pending.

As described in response 1.1.a above, the department provided only one example of a corrective action in its six-month response. Therefore, the development of related milestones is pending the department's identification of additional corrective actions.

Recommendation 1.1.c—See pages 27—34 of the audit report for information on the related finding.

To further enhance its corrective action planning process as a means of improving the unemployment program, the department should 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.

Department's Action: Pending.

As described in response 1.1.a above, the department provided only one example of a corrective action in its six-month response. Therefore, establishment of key performance targets or benchmarks is pending the department's identification of additional corrective actions.

Recommendation 1.2.a —See pages 34—40 of the audit report for information on the related finding.

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, 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.

Department's Action: Pending.

The department indicated that its unemployment customers have experienced greatly improved access to call center services. For example, the department stated that in the first six months of calendar year 2011, there was an 88.5 percent decrease in call attempts and a 97 percent decrease in the number of customers unable to access the interactive voice response system for benefit and other program information when compared to the same six month period in 2009. The department attributed these results to service level improvements related to this recommendation, but did not provide specifics. In addition, the department indicated that in the first half of calendar year 2011, it had a 124.6 percent increase in the number of unemployment customers who received services from a department representative compared to the same period in 2009. However, as we show in Table 4 of our report, 89 percent of the calls requesting an agent were unable to access an agent for the first

half of fiscal year 2009–10 through May 2010. This means that only about 11 percent of the calls were answered by agents. Thus, despite the improvement it reports, it appears the department continues to struggle in this area.

The department also reported that it has finished implementing its Call Center Network Platform and Application Upgrade Project to all six of the Primary Call Centers and eight Primary Adjudication Centers. The department stated that it added a final unemployment center that was not part of the original project scope in June 2011. The department believes that the call center network, combined with an increase in staffing and self-service options, provides better service to unemployment customers and a reduction in call volume.

Finally, the department indicated it continues to analyze data from the new system including network performance and the volume of blocked call attempts to ensure call needs are being met. Although the department indicated that early data analysis and call volume trends are being used to develop strategies to continue to improve services to unemployment customers and reduce call volume, it did not identify any specific new strategies in its response.

Recommendation 1.2.b—See pages 34—40 of the audit report for information on the related finding.

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 and Tele-Cert, the department should periodically summarize and assess the more robust management information available under its new phone system.

Department's Action: Pending.

As described in response 1.2.a above, the department stated that it continues to analyze data from the new phone system. However, it provided no specifics about the results of its analysis thus far.

Recommendation 2.1—See pages 44—47 of the audit report for information on the related finding.

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.

Department's Action: Pending.

The department indicated that the Alternate Base Period project is on schedule to be implemented in April 2012; thus, it expects to meet the federally-required implementation date of September 2012. The department stated that it is committed to continuously manage the project schedule and resources to ensure that California meets the target date. In addition, the department asserted that in June 2011, California received the \$838.7 million in Unemployment Modernization Incentive Funds made available through the American Recovery and Reinvestment Act of 2009. The department believes that receipt of these funds illustrates the United States Department of Labor's confidence that California will complete the project timely. As we reported, the department will need to implement the alternative base period by September 22, 2012, at the latest, or risk losing the \$839 million in incentive payments.

Recommendation 2.2—See pages 44—47 of the audit report for information on the related finding.

To help ensure that the department completes the alternate base period project by the federal deadline so that the State preserves its eligibility to receive \$839 million in incentive funds, the California Technology Agency should closely monitor the department's progress toward implementing the client database and alternate base period projects and provide assistance to the department, as necessary.

California Technology Agency's Action: Pending.

The California Technology Agency indicated that, in addition to monitoring monthly project status reports and schedules, it meets with the department bi-weekly to review progress, issues and risks specific to the alternate base period and the client database projects. Further, the California Technology Agency stated that it has standing weekly checkpoints with the department's Chief Information Officer and bi-weekly briefings from the department Portfolio Division Chief for targeted focus on these projects.

The California Technology Agency stated that the department reported that it is on target to meet the implementation dates for both projects. The California Technology Agency indicated that because the department continues to meet the additional reporting requirements described in the Special Project Reports for these projects, it continues to support these projects.

Recommendation 2.3.a—See pages 48—57 of the audit report for information on the related finding.

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 take measures to ensure that its staff correctly enter all data into the training benefits program's streamline database.

Department's Action: Pending.

The department indicated in its 60-day response that it has taken actions involving both procedures and updates to automated processes to ensure staff correctly enter all data into the training benefits program's streamline database to better track determination timeliness for training program participants. After we asked the department to support this assertion, it was unable to demonstrate that the actions it has taken thus far have fully addressed our recommendation. Specifically, despite its claims related to taking actions involving procedures, the department was only able to provide us with the same procedures that were in place at the time of our audit, and thus, are not indicative of a corrective action. In addition, the department provided a "guide card" which it asserted is a comprehensive guide to processing incoming streamline mail. However, our review concluded that it provides a high level overview of processing steps, and it does not clearly identify the data fields that are required for processing.

Moreover, the department provided us with a compact disc that we found to be a source code dump that did not include programmer's notes or other documentation explaining the code. Thus, without investing a considerable amount of time by our Information Technology Audit Support unit, we cannot confirm that the streamline database is working as intended.

Recommendation 2.3.b—See pages 48—57 of the audit report for information on the related finding.

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 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.

Department's Action: Pending.

The department stated that it implemented provisions of Assembly Bill 2058 (AB 2058) by July 1, 2011, as statutorily required. According to the department, now that it has implemented AB 2058, it can expand the automated streamline process to individuals in self-arranged training. However, the department indicated that during the review to implement this phase, it discovered that a larger database is necessary to support the expansion of the streamline system and that it is currently in

the process of developing a solution to this issue. As we concluded in our audit report, this is the area where we believe the department faces the most significant challenges in expediting eligibility determinations for these claimants.

The department stated that from February 2010 through August 2011, it processed over 12,000 streamline training enrollment applications and determined eligibility for the two programs it implemented in 2010—the Workforce Investment Act and the Trade Adjustment Assistance programs. As we discuss in our report, these two programs represent a much smaller portion of the determinations the department makes when compared to the remaining training benefits program determinations. The department asserts that it is processing these applications within two days, which exceeds the department’s goal of three to five days. The department stated that its streamline effort has resulted in a more efficient way to expedite the training program determinations for customers and eliminates the need to schedule a non-monetary determination interview. However, as we indicated in response 2.3.a, the department has been unable to demonstrate that its staff correctly enter all data into the training benefits program’s streamline database, and therefore, we continue to question whether the streamline database is sufficiently reliable for the purposes of determining the average duration for the department to process an application from receipt until a determination is made.

In addition, the department indicated it continues to track the results of eligibility determinations, which show if the claimant was training benefits program eligible or ineligible for self-arranged training, including the specific subsections of the unemployment code cited when a claimant was ineligible to participate in the training benefits program for self-arranged training. In its one-year response, we look forward to the department discussing the results and reasons for these determinations and its efforts to assist claimants in understanding the program’s criteria.

Recommendation 2.3.c—See pages 48—57 of the audit report for information on the related finding.

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 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.

Department’s Action: No action taken.

The department did not specifically address this recommendation in its initial response, its 60-day response, or its six-month response.

