

PERFORMANCE AUDIT
Administration of Montana's
Unemployment Insurance Program
Department of Labor and Industry

OCTOBER 2012

12P-01

REPORT SUMMARY

The Department of Labor and Industry (department) could improve the timeliness of unemployment benefit eligibility decisions by streamlining the claim review process. In addition, improving collection controls would help the department collect millions of dollars in delinquent state unemployment insurance taxes and recover overpaid benefits.

Context

Unemployment insurance (UI) provides benefits to eligible individuals who are out of work through no fault of their own. The Department of Labor and Industry's Unemployment Insurance Division is responsible for administering Montana's UI program. This includes processing claims to determine if individuals meet eligibility requirements to receive unemployment benefits, collecting state unemployment insurance taxes, and collecting overpaid unemployment benefits made to claimants. In fiscal year 2011 state UI tax assessments were approximately \$147 million.

Nationwide, state UI programs have been under pressure due to current economic conditions. Like other states, Montana was impacted by the national recession which began in early 2008. In fiscal year 2011, approximately 115,000 claims were filed and a total of \$278 million in unemployment benefits paid. This included \$168 million of state funded benefits and \$110 million federally funded.

The last several years have seen increases in the amount of delinquent UI state tax and the amount of benefits overpaid to claimants. Between fiscal year 2007 and 2011, the amount of delinquent UI taxes (not including penalties or interest) increased 15 percent from approximately \$3.3 million to over \$3.8 million

with 53 percent remaining uncollected for more than 18 months. During this same time period, the amount of overpaid unemployment benefits grew 204 percent from \$1.7 million to \$5.3 million. Approximately 22 percent of all unrecovered overpaid benefits have gone uncollected for more than 15 months.

Results

Audit work found the department's determination process does not ensure timely eligibility decisions are made. Approximately half of the claim issues reviewed did not meet required federal timelines with the average time to make an eligibility decision taking more than 54 days to complete. Department internal quality control reviews indicated the process has not met required timelines for almost three years. Unresolved claim issues exceeding timelines can create financial hardships on claimants.

We found the department uses an eligibility determination business model that consists of multiple staff collecting and reviewing information during the process. This has created duplication of efforts, delays in resolving claim issues, and untimely benefit eligibility decisions. We recommended the department streamline its eligibility determination process.

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Our audit work determined the department has written off uncollected UI tax with limited management involvement and without referring these funds to Department of Revenue (DOR) for collection assistance. The department does not comply with state policy which has contributed to the growing amounts of delinquent UI taxes and overpaid benefits. The department should establish a formal process to review delinquent UI tax and overpaid benefit accounts and transfer those deemed to be uncollectable to DOR or outside collection agencies.

Our audit identified examples where inconsistent collection activities have occurred for delinquent UI taxes and overpaid benefits. Most collection decisions were at the discretion of individual collectors. We found improvements are needed in department management controls over the collection process.

Recommendation Concurrence	
Concur	5
Partially Concur	0
Do Not Concur	0
Source: Agency audit response included in final report.	

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