

# Employment Development Department

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

### REPORT NUMBER 2010-112, ISSUED MARCH 2011

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 (Technology Agency).<sup>1</sup> 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 March 2012, the Technology Agency's response as of March 2012, and a letter report dated November 13, 2012, that presents a follow-up review conducted by the state auditor concerning the department's progress in implementing the recommendations.

#### **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: Fully implemented.***

The department's 2012 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, includes corrective actions to address federal timeliness measures for promptly issuing initial unemployment payments and making nonmonetary determinations of claimant's eligibility for benefits.

<sup>1</sup> Chapter 404, Statutes of 2010, which became effective January 1, 2011, renames the Office of the State Chief Information Officer as the California Technology Agency and the position of the State's chief information officer as the Secretary of California Technology.

**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: Fully implemented.***

The department's quality plan for 2012 now has corrective actions with related milestones.

**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: No action taken.***

- ➔ Although the department has now established corrective action plans with related milestones, it has not created ways to measure how those actions affect the department's performance. Specifically, even though the federal labor department approved the department's 2012 quality plan, we noted that the plan still does not include specific performance targets or benchmarks related to its 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: No action taken.***

- ➔ During our follow-up review the department informed us of four projects it had undertaken related to this recommendation. 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. Moreover, even though our follow-up review found that millions of callers continue to have difficulty accessing the department's new phone system and its agents and the number and percentage of blocked calls remain high, the department has not developed any specific goals related to reducing its blocked call rate.

**Recommendation 1.2.b—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 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: No action taken.***

The department has not used information from the new phone system to evaluate the effectiveness of its self-service options or to target its efforts to reduce call volume. Although the phone system contractor maintains the voice response system data in a database it manages and the department has access to this information through standard reports, the department did not use this information to address our recommendation. In addition, the contractor exports this information to an external unemployment insurance program database from which the department can access the information through custom reports it can create. However, based on a request for information from the external database we made during our follow-up review, the department determined a significant amount of data was missing from the external database; thus, the department could not have accurately evaluated its self-service options using this database.

**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: Fully implemented.***

The federal labor department certified the department's application for incentive funds in June 2011 and the department received a maximum transfer of \$839 million in July 2011. In July 2012 the department reported to the Legislature that it had successfully implemented the alternate base period and that it had processed 1,767 valid claims for the alternate base period as of May 12, 2012, which we verified.

**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 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.

***Technology Agency's Action: Fully implemented.***

According to its one-year response, the Technology Agency monitored monthly project status reports and project schedules and met with the department bi-weekly to review progress, issues, and risks specific to the Alternate Base Period project.

**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: Fully implemented.***

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 issues we initially identified.

**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: Partially implemented.***

According to its one-year response, the department is using a weekly report to track the number of and reasons for its self-arranged training determinations, and it started doing so with data from the week ending July 9, 2011. During our current review, we found that although the department reports that it now tracks the information, it has not yet used it to develop recommendations for the report it must submit in 2016.

**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 60-day, six-month, or one-year response. In our follow-up review the program analysis and evaluation section chief stated 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.