

The California State Auditor released the following report today:

## Employment Development Department

### *It Should Improve Its Efforts to Minimize Avoidable Appeals of Its Eligibility Determinations for Unemployment Insurance Benefits*

#### BACKGROUND

The Employment Development Department (EDD) administers the unemployment insurance program (unemployment program), which is financed by unemployment taxes that employers pay and intended to provide temporary financial assistance to unemployed workers who meet certain requirements. During fiscal year 2013–14, EDD paid over \$6 billion in total unemployment benefits to unemployed workers (claimants) who—as determined by EDD—met eligibility requirements. Claimants and employers can contest EDD’s eligibility decisions to the California Unemployment Insurance Appeals Board (appeals board).

#### KEY FINDINGS

During our review of appeals of EDD’s eligibility determinations for unemployment insurance benefits, we noted the following:

- EDD’s eligibility determinations are frequently overturned at the first level of appeal—the appeals board decided in favor of claimants approximately 50 percent of the time. Consequently, those claimants may have waited unnecessarily to receive their benefits.
  - ✓ EDD makes determinations that the claimant made false statements without adequately establishing that the statements were made willfully to receive benefits.
  - ✓ EDD does not always successfully contact claimants and employers to gather necessary information before making its benefits eligibility determinations.
  - ✓ EDD’s internal audit and evaluations division found that EDD staff often conducted insufficient fact-finding before deciding to deny claimants unemployment benefits.
- Attendance at appeal hearings by the claimant, employer, or EDD can significantly influence the outcome of the appeal—more than 60 percent of the decisions made by the appeals board from July 2010 through April 2014, were favorable to the claimant when the claimant appealing the decision was the only attendee.
- EDD rarely attends appeal hearings—staff attended less than 1 percent of appeal hearings during this time period—which may make the appeals outcomes more favorable toward appellants than it otherwise would be.
- Neither EDD nor the appeals board identifies trends in the reasons that so many of EDD’s benefit determinations are overturned. Trending the reasons would assist EDD in determining why appeals are frequently successful and help identify any needed changes to the determination process.

#### KEY RECOMMENDATIONS

We made many recommendations to EDD to reduce the number of overturned determinations, including that it:

- Change its practices and update its training to ensure that its staff have demonstrated that all of the necessary elements of a false statement are adequately supported before disqualifying a claimant for unemployment benefits.
- Ensure that determinations are supported by sufficient fact-finding and that it identify those types of appeals that could be influenced by EDD’s attendance at the hearing and attend those types of hearings when it is cost-effective to do so.

Further, we recommended that the appeals board and EDD identify and correct policies, procedures, or practices that may be contributing to avoidable appeals filed by claimants and employers and thereby provide eligible claimants with unemployment benefits in a timelier manner. The appeals board should aggregate outcomes of appeals and EDD should analyze the data to identify trends for overturned determinations and modify its processes accordingly.

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