

Oregon Employment Department

# The Pandemic's Effects on Oregonians Exposed Risks and Highlighted the Need to Modernize Oregon's Unemployment Insurance System

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# Audit Highlights

Oregon Employment Department

The Pandemic's Effects on Oregonians Exposed Risks and Highlighted the Need to Modernize Oregon's Unemployment Insurance System

The pandemic was damaging to many Oregonians. Tens of thousands lost their jobs, and delays in paying unemployment benefits hurt those already struggling. OED has made progress addressing some of the most public concerns, such as the inability of its phone-based system to handle the spike in claims that occurred in March 2020. Regarding fraud, another concern that garnered significant attention around the country, Oregon fared comparatively well. This audit focuses on information and recommendations we can provide to improve the UI system ahead of future surges in unemployment.

## Why this audit is important

- The Oregon Employment Department (OED) administers the Unemployment Insurance (UI) program, which provides payments to workers who become unemployed through no fault of their own.
- The pandemic led to a sudden and unprecedented surge in UI claims with which every state struggled. OED's antiquated IT systems exacerbated this difficulty.
- Prior audits and reviews have documented why efforts to modernize OED's IT systems have been delayed, including lingering effects of the Great Recession, turnover among agency leadership, and changes to state processes after the CoverOregon failure.
- Delayed UI payments for eligible unemployed workers can cause serious financial hardships and undermine the system's ability to support the economy during future emergencies.

## What we found

1. Complex UI claims go through a process called adjudication, in which OED staff gather more information to determine whether a claimant is eligible for benefits. Even before the pandemic, the agency struggled to meet timeliness requirements to process these claims. ([pg. 18](#)) The pandemic and its resulting surge in claims only exacerbated the problem, causing some to wait months or more than a year to receive benefits. ([pg. 19](#))
2. Delays were worsened by several inefficiencies in OED's systems: a lack of formal policies to monitor claims that need additional action; outdated procedures on how to contact involved parties; and online resources that contained conflicting and difficult-to-find information. ([pg. 20](#))
3. Auditors found data anomalies in the agency's current IT systems; however, the agency's antiquated and rigid IT systems make it difficult to add additional controls. OED's ongoing IT system modernization should address this, as well as help simplify how the agency communicates with parties involved in UI claims. ([pg. 18](#))
4. Oregonians could benefit from an OED ombuds office to advocate for and help individuals navigate the complex UI system. ([pg. 25](#))
5. Auditors identified some concerning demographic trends during the pandemic: adjudicated claims for some groups, separated by race or by income, appeared to take longer on average than for others. Though the cause of these trends was not determined, OED should continue to track the data and develop strategies to reduce any disparities found. ([pg. 27](#))

## What we recommend

We made seven recommendations to OED. OED agreed with all our recommendations. The response can be found at the end of the report.

# Introduction

Unemployment insurance (UI) is a program delivered through a federal-state partnership that began in 1935 with the Social Security Act. The program is funded at both the federal and state level, with administrative funding amounts tied to economic conditions; when unemployment is high, states receive more federal funding. Employers contribute most of the funding through payroll taxes.

States develop and deliver their own unique UI program while following broader federal program requirements. The program is administered in Oregon by the Oregon Employment Department (OED). Each state also determines its own method for calculating weekly benefit amounts and the duration of benefit coverage, with most states, including Oregon, offering up to 26 weeks of compensation. The main purpose of unemployment insurance is twofold: provide temporary, partial wage replacement to eligible unemployed workers, and help stabilize the economy during economic recessions.

## Delays to UI benefit payments can cause significant financial hardships

UI is intended to be a safety net for individuals who lose work through no fault of their own. When eligible workers experience delays in obtaining UI benefits, there can be significant financial and other impacts to individuals, their families, and their communities. This can include the inability to pay utility bills, mortgage or rent, medical care, prescriptions, and basic necessities such as food. These hardships can result in homelessness, hunger, degraded mental and physical health, loss of savings and assets, and damage to one's credit, among other effects.

The COVID-19 pandemic caused unprecedented increases in unemployment claims across the country. Like many other states, Oregon struggled under this surge in claims and in setting up new, emergency unemployment programs authorized by Congress. OED's antiquated computer systems could not easily handle the many program changes implemented during the pandemic and the agency's phone-based approach, while generally adequate in normal times, could not accommodate the wave of phone calls OED received. The agency's online published resources were also not updated timely during the pandemic to reflect new legislation. OED's shortcomings and challenges during the pandemic have been well documented in the media.

Even before the pandemic, OED struggled with meeting federal timeliness guidelines for making complex claim decisions, through a process called adjudication. Until January 2022, the agency had only met federal timeliness standards for job separation-related adjudications once since 2014. Reasons include inefficient communication procedures and a lack of detailed monitoring of claims that need further action. Additionally, the agency's outdated mainframe IT system includes many anomalies and data entry errors. The system is so antiquated, updating it to add more controls and functionality is difficult and expensive. OED is currently in the process of designing and implementing a new IT system, which is estimated to be completed in the spring of 2024.

The devastating impacts from delays in UI benefits to so many during this pandemic compelled this performance audit. People were desperate and often unable to reach someone to assist them in getting their claims processed. Some reached out to their legislators. Some reached out to the media. Some undoubtedly gave up. The purpose of this audit is to provide useful information and

recommendations for the agency to improve the UI process ahead of future events of significant unemployment.

## Like most states, OED struggled to pay unemployment benefits and implement new programs during the pandemic

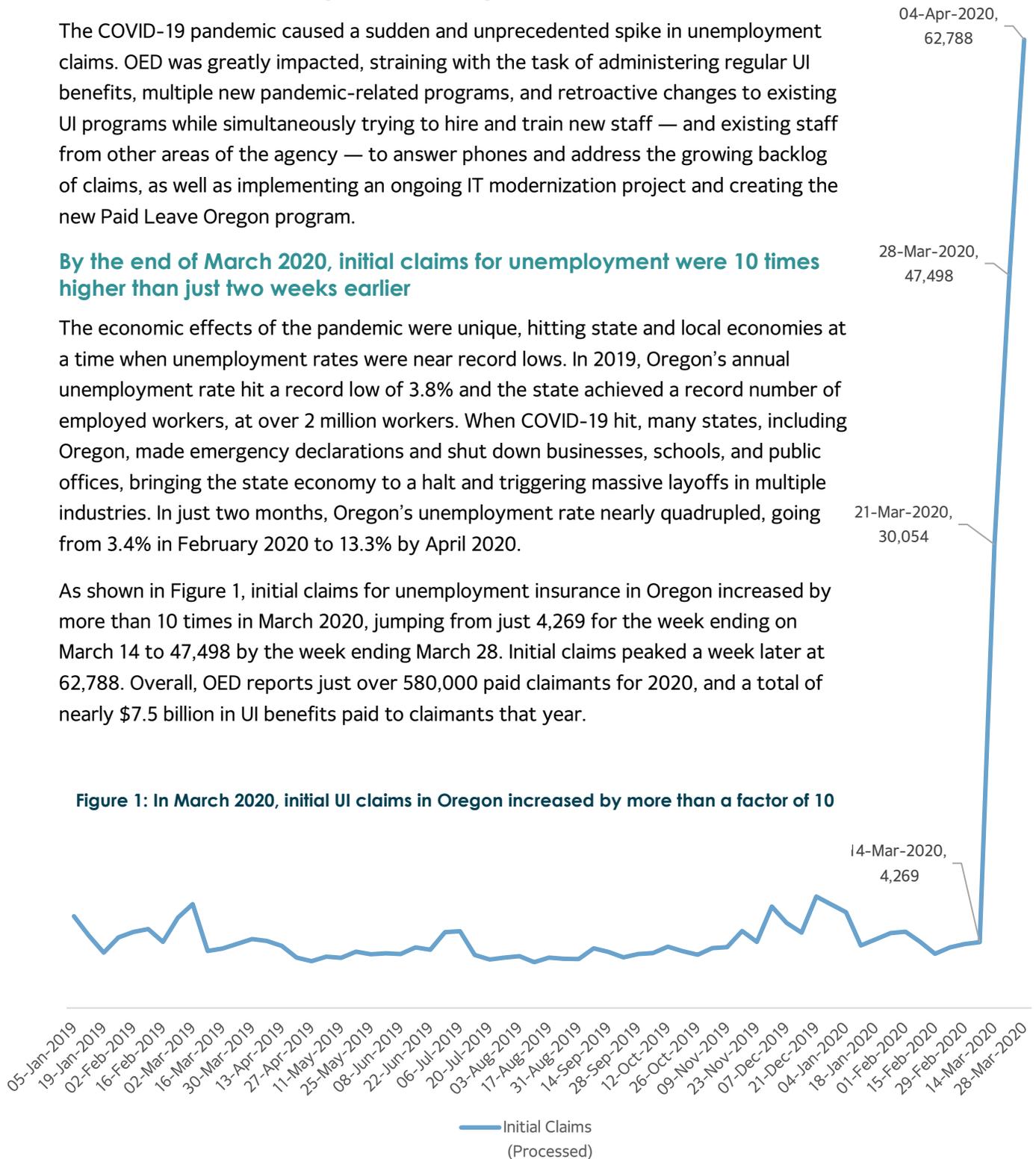
The COVID-19 pandemic caused a sudden and unprecedented spike in unemployment claims. OED was greatly impacted, straining with the task of administering regular UI benefits, multiple new pandemic-related programs, and retroactive changes to existing UI programs while simultaneously trying to hire and train new staff — and existing staff from other areas of the agency — to answer phones and address the growing backlog of claims, as well as implementing an ongoing IT modernization project and creating the new Paid Leave Oregon program.

### By the end of March 2020, initial claims for unemployment were 10 times higher than just two weeks earlier

The economic effects of the pandemic were unique, hitting state and local economies at a time when unemployment rates were near record lows. In 2019, Oregon’s annual unemployment rate hit a record low of 3.8% and the state achieved a record number of employed workers, at over 2 million workers. When COVID-19 hit, many states, including Oregon, made emergency declarations and shut down businesses, schools, and public offices, bringing the state economy to a halt and triggering massive layoffs in multiple industries. In just two months, Oregon’s unemployment rate nearly quadrupled, going from 3.4% in February 2020 to 13.3% by April 2020.

As shown in Figure 1, initial claims for unemployment insurance in Oregon increased by more than 10 times in March 2020, jumping from just 4,269 for the week ending on March 14 to 47,498 by the week ending March 28. Initial claims peaked a week later at 62,788. Overall, OED reports just over 580,000 paid claimants for 2020, and a total of nearly \$7.5 billion in UI benefits paid to claimants that year.

**Figure 1: In March 2020, initial UI claims in Oregon increased by more than a factor of 10**



Source: Oregon Employment Department, QualityInfo.org

This represents a 600% increase in paid claims and a 1,400% increase in benefits paid out compared to 2019, when Oregon had approximately 93,000 paid UI claimants and paid out a total of \$525 million in unemployment benefits. Figure 2 shows how the number of employed workers, unemployed workers, and the unemployment rate changed drastically from February to April 2020.

**Figure 2: Due to the pandemic, the number of unemployed Oregon residents rose dramatically from February to April 2020**

	February 2020	April 2020
Employed workers	2,015,218	1,759,680
Unemployed workers	71,765	268,802
Unemployment rate	3.4%	13.3%

Source: Bureau of Labor Statistics

According to OED, the job sectors hardest hit by the pandemic closures were Leisure and Hospitality, Other (including barbers, hair and nail salons, tattoo parlors, repair shops, etc.), and private education. OED and other state workforce agencies were confronted with the pandemic at a time when staffing was already low due to record low unemployment numbers and years of federal underfunding of the administration of state UI programs. OED needed to process the surge of pandemic-related claims while quickly hiring and training new staff.

### Congress passed several new federal UI programs as state workforce agencies were already strained by record-high initial unemployment claims

Soon after COVID-19 hit the U.S., Congress passed the Families First Coronavirus Response Act, which provided changes to the UI program, among other provisions. This was followed by the Coronavirus Aid, Relief and Economic Security (CARES) Act. This legislation included the creation of new federal UI programs that states were required to implement under the guidance and oversight of the U.S. Department of Labor. The CARES Act created three federal UI programs: Pandemic Unemployment Assistance (PUA), Pandemic Unemployment Emergency Compensation (PEUC), and Federal Pandemic Unemployment Compensation (FPUC). Figure 3 shows the scope of benefits from these programs, as well as other programs created by subsequent legislation.

**Figure 3: The pandemic required OED to administer not only its multiple state programs, but several new federal UI programs**

Program	Benefit Scope	Detail
Federal Pandemic Unemployment Compensation (FPUC)	Three eligibility periods: <ul style="list-style-type: none"> <li>March 29, 2020, through July 25, 2020</li> <li>December 27, 2020, through March 13, 2021</li> <li>March 14, 2021, through September 4, 2021</li> </ul>	Federal program increasing the weekly benefit amount by \$600 weekly (March 29, 2020, through July 25, 2020) and \$300 weekly (December 27, 2020, through September 4, 2021).
Pandemic Emergency Unemployment Compensation (PEUC)	Maximum of 53 weeks through September 4, 2021	Federal extension to state unemployment benefits for people who have exhausted state benefits.

<b>Pandemic Unemployment Assistance (PUA)</b>	Maximum 79* weeks through September 4, 2021	Federal benefits for people who are: <ul style="list-style-type: none"> <li>• Ineligible for regular UI benefits and extensions.</li> <li>• Unable to work as a direct result of COVID-19 during each benefit week.</li> </ul> *Number of eligible weeks changed when High Extended Benefits triggered off.
<b>Lost Wages Assistance (LWA)</b>	Maximum 6 weeks July 26, 2020, through September 5, 2020	Federal Emergency Management Agency funded program providing additional \$300 weekly benefit to claimants whose calculated weekly benefit amount was at least \$100, who received at least \$1 in benefits, and who were unemployed or had their hours reduced due to the COVID-19 pandemic.

Source: OED

As the pandemic continued, Congress passed the Continued Assistance for Unemployed Workers Act, which, among other provisions, extended the weeks of eligibility for the PUA, PEUC, and FPUC programs. This act also created the Mixed Earner Unemployment Compensation program, which provided an extra \$100 per week for people who were receiving regular UI benefits and who had earned both W-2 wages and at least an annual net income of \$5,000 from self-employment work that was in addition to the W-2 wages. Additionally, the Continued Assistance Act (CAA) contained a provision for PUA that claimants were required to provide proof of employment and/or self-employment to continue receiving benefits.

In August 2020, the Lost Wages Assistance program was created by Presidential Memorandum to authorize the Federal Emergency Management Agency (FEMA) to extend Disaster Relief Funds to UI recipients. LWA provided an extra weekly benefit of \$300, similar to FPUC. To qualify, an individual had to already be eligible to receive UI benefits, have a calculated weekly benefit amount of at least \$100, have received at least \$1 in UI benefits during eligible weeks, and have lost their employment or had their hours reduced directly due to COVID-19. This lower \$300 additional weekly benefit lasted through September 5, 2021. Because this program was administered by FEMA and not the U.S. Department of Labor, all funding and benefit payments had to remain separate from the UI trust fund, creating additional complexity and confusion for some claimants. In March 2021, Congress passed the American Rescue Plan Act, which, among other provisions, extended the FPUC, PUA, and PEUC programs through September 6, 2021.

A recent audit by the federal Department of Labor’s Office of Inspector General demonstrated many states, including Oregon, struggled to implement the new programs created through the CARES Act.<sup>1</sup> It took Oregon an average of 31 days to make first payments to Pandemic Unemployment Assistance recipients, 17 days for Federal Pandemic Unemployment Compensation recipients, and 49 days for Pandemic Emergency Unemployment Compensation recipients. As shown in Figure 4, Oregon’s performance in these areas was comparable to other states and U.S. territories included in the report.

<sup>1</sup> See US Department of Labor Office of Inspector General Report [No. 19-21-004-03-315](#), titled ‘COVID-19: States Struggled to Implement CARES Act Unemployment Insurance Programs’

**Figure 4: Despite not having a modernized UI Benefits system, Oregon's average of 31 days to make first payments on Pandemic Unemployment Assistance claims was less than the overall average of 38 days\***

Rank	State	Pandemic Unemployment Assistance (days to first payment)	Federal Pandemic Unemployment Compensation (days to first payment)	Pandemic Emergency Unemployment Compensation (days to first payment)	UI Benefits IT system modernization status
1	New Hampshire	3	21	44	Completed
2	Kentucky	6	9	20	Not completed
3	New York	10	10	17	Not completed
4	Louisiana	17	17	49	Completed
4	Rhode Island	17	14	45	Not completed
6	Texas	18	17	45	Not completed
7	Iowa	19	19	61	Not completed
8	Alabama	21	13	27	Completed
9	Puerto Rico	24	26	66	Not completed
9	Washington	24	24	24	Completed
11	Michigan	26	13	26	Completed
11	Missouri	26	17	38	Completed
11	Tennessee	26	17	46	Completed
14	Massachusetts	27	53	12	Completed
15	Connecticut	28	41	61	Not completed
15	Georgia	28	15	76	Not completed
15	Minnesota	28	12	19	Completed
15	Mississippi	28	14	34	Completed
15	New Mexico	28	21	28	Completed
15	North Carolina	28	18	56	Completed
15	South Carolina	28	15	61	Completed
22	Utah	29	15	57	Completed
23	Colorado	31	31	34	Not completed
23	Montana	31	16	37	Not completed
23	Nebraska	31	17	55	Not completed
23	Oklahoma	31	10	52	Not completed
23	Oregon	31	17	49	Not completed
28	California	32	16	61	Not completed
29	District of Columbia	33	24	40	Not completed
29	Florida	33	15	60	Completed
29	North Dakota	33	19	49	Not completed
32	South Dakota	34	12	53	Not completed
33	Virginia	38	25	101	Not completed
33	Wyoming	38	20	80	Completed
35	Maine	40	19	94	Completed
36	Indiana	42	42	21	Completed
36	Pennsylvania	42	15	50	Not completed
38	Maryland	43	21	43	Completed
39	Alaska	45	17	84	Not completed

39	Arizona	45	17	73	Not completed
41	Hawaii	48	18	53	Not completed
41	Illinois	48	10	25	Completed
43	West Virginia	49	10	42	Not completed
44	Ohio	52	26	38	Not completed
45	Wisconsin	56	33	90	Not completed
46	Nevada	60	18	45	Completed
47	Kansas	61	27	66	Not completed
48	Delaware	63	10	31	Not completed
49	Virgin Islands	101	61	101	Not completed
<b>Overall Average</b>		<b>38</b>	<b>25</b>	<b>50</b>	
*Arkansas, Idaho, New Jersey, and Vermont are not included, as they did not respond to the OIG's data request or did not have numbers to report.					

Source: OIG Report no. 19-21-004-03-315, "COVID-19 States Struggled to Implement CARES Act Unemployment Insurance Programs"

Due to limitations in the agency's IT systems, OED was unable to reprogram its systems to account for new programs created during the pandemic, such as PUA, forcing the agency to implement many of these programs using mostly manual processes.

## Previous audits and reviews have documented problems with OED's IT systems and why modernization has been delayed

OED does not have a case management system. Instead, it uses multiple systems to process adjudicated claims, including both an imaging system and OED's mainframe system. The mainframe system originally launched in the 1990s and though it continues to reliably process many claims, it has been outdated for at least the last decade. Because of its age, the system is difficult to maintain or upgrade. The system uses an obsolete computer language (COBOL) that can require hundreds of hours of programming to make simple changes.

The Secretary of State's Audits Division performed audits of OED's mainframe system in 2012<sup>2</sup> and 2015,<sup>3</sup> with the first audit finding the agency's legacy IT systems to be rigid and inflexible in handling complicated claims and implementing any rule or program changes, especially several federal programs initiated during the Great Recession. This audit also found the department used many manual processes and lacked sufficient internal system controls, leading to more errors. Three years later, the 2015 audit reemphasized the system's challenges, including poor system documentation and difficulty making program code changes and maintaining the system. This audit included a recommendation that OED replace the legacy system.

The Audits Division also published an IT Management Letter in 2020<sup>4</sup> that provided an assessment of the modernization project. This assessment found many of the same issues, with system challenges

<sup>2</sup> See OAD Report [2012-25](#), "Oregon Employment Department: Computer Controls for the Oregon Benefit Information System Need Attention"

<sup>3</sup> See OAD Report [2015-31](#), "Oregon Employment Department: Computer Programs for Unemployment Tax Returns and Claims Need Attention"

<sup>4</sup> See OAD Report [471-2020-07-01](#), "Oregon Employment Department IT Modernization Program Project Review, Information Technology"

implementing the new COVID-19 federal programs and temporary, or new, state UI program changes. It also described high-risk areas involving staffing challenges with high turnover in the program, including the project's director, as well as shifting priorities due to impacts of COVID-19 and the need to develop the new Paid Family and Medical Leave Insurance program (Paid Leave Oregon). These shifting priorities have high risk in affecting the modernization project's program schedule, with the legacy systems being behind schedule at the time of project assessment.

#### Several factors have led to delays in OED's IT modernization project

Both the 2020 IT Management Letter and a 2020 Legislative Fiscal Office Budget Information Report attributed delays of the modernization project to several factors. After receiving federal funding in 2009, most of which OED earmarked for system modernization, OED was still facing high claim volumes and administering federal UI programs, as the Great Recession continued to affect employment. When workloads normalized, delays in the project were attributed to several years of leadership turnover. OED has had four different agency directors in the span of nine years, with the most recent resigning in May 2020, following the agency's early struggles during the pandemic and its strain on the agency. Another factor was a change in the state's process for implementing big IT projects following the \$300 million CoverOregon IT project failure.

The Legislative Fiscal Office report also attributed modernization delays during the Great Recession to agency failures in IT oversight and project deliverables, describing the IT structure as decentralized, which caused multiple projects being created at the same time with unclear prioritization or communication.<sup>5</sup> In the wake of the CoverOregon IT project failure, the state's Chief Information Officer and Legislative Fiscal Office implemented the Joint Stage Gate Review Process with third-party quality assurance oversight in 2014. This is a thorough process with detailed monitoring, documentation, and project deliverables that are required for agencies to move through the phases of a large IT project.<sup>6</sup> In May 2021, OED passed Stage Gate 3, allowing the project to move to the execution phase. At the same time, OED contracted with a vendor, FAST Enterprises.

Regional U.S. Department of Labor representatives described OED as being thorough and thoughtful in its planning, problem solving, and actions. They described OED as being methodical and thoughtful in its approach to modernizing and conducting thorough research of other states and lessons learned from their implementation experiences.

#### Most states who received federal ARRA funds in 2009 had not modernized their IT systems by 2021

In 2009, Oregon received approximately \$85 million from the U.S. Department of Labor through the American Recovery and Reinvestment Act (ARRA). The funding provided through this initiative was intended for states to expand UI eligibility and payments, with specific focus on low-wage workers, though the program allowed state workforce agencies to use the money for various purposes. Oregon chose to earmark most of the funds for replacing and modernizing the antiquated IT system.

OED began the modernization project in 2015 with a budget request in the 2015-17 biennium. This project is still in process and projected to implement in two phases. First, OED's Employer UI Tax and

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<sup>5</sup> See Legislative Fiscal Office [Budget Information Report](#), titled 'Oregon Employment Department Information Technology Modernization'

<sup>6</sup> See OAD Report [2015-06](#), "Major IT Projects: Continue Expanding Oversight and Strengthen Accountability"

Paid Leave Oregon contribution system is projected to go live in September 2022, with processing of Paid Leave Oregon worker applications and small employer grant applications beginning September 2023. The UI Benefits system is projected to roll out by the end of March 2024.

Nationwide, less than half of states had modernized their UI Benefits system prior to COVID-19. Of the 39 states which received partial or full ARRA funding for broadening their UI program eligibility, 23 had not yet modernized their UI Benefits IT system as of early 2021, including Oregon. As of early 2021, Oregon and 29 other states were in either the planning or development phase of modernizing their UI Benefits IT system, and 22 states and U.S. territories had completed modernization of their UI Benefit system. Figure 5 shows all 39 states that received ARRA funds in 2009 and whether they are in the process of modernizing the UI Benefits system or have completed that modernization.

**Figure 5: Of the 39 states who received the 2009 ARRA funding, 15 completed UI Benefit IT system modernization by early 2021**

States who received ARRA funds and are in the process of modernizing their UI Benefits system	States who received ARRA funds and have completed modernizing their UI Benefits system
Alaska	Idaho
Arkansas	Illinois
California	Maine
Colorado	Maryland
Connecticut	Massachusetts
DC	Michigan
Delaware	Minnesota
Georgia	Nevada
Hawaii	New Hampshire
Iowa	New Mexico
Kansas	North Carolina
Montana	South Carolina
Nebraska	Tennessee
New Jersey	Utah
New York	Washington
Ohio	
Oklahoma	
<b>Oregon</b>	
Rhode Island	
South Dakota	
Vermont	
Virginia	
West Virginia	
Wisconsin	
<b>TOTAL: 24</b>	<b>TOTAL: 15</b>

Source: OAD analysis

## OED had one of the lowest levels of unemployment fraud in 2020 and has worked to address shortcomings identified during the pandemic

Based on OED figures, Oregon experienced much less unemployment fraud than many other states, with OED's fraud totals coming in substantially lower than its neighbors, California and Washington. This is likely due to a combination of employing fraud prevention practices, learning from the experiences of other states, and fraudsters targeting states with better computer systems that paid out claims faster.

According to OED officials, internal figures for 2020 show the agency paid over \$24 million in fraudulent claims. While \$24 million is still a large number, Oregon reported roughly 581,800 individuals received unemployment compensation in 2020 totaling nearly \$7.5 billion, meaning Oregon's rate of fraudulent payments was just 0.32% of total claims paid for the year.

**Figure 6: Based on OED figures, Oregon had much lower UI fraud in 2020 than Washington or California**



Source: OAD

By comparison, Washington experienced over \$277 million in UI fraud in 2020 (after recovering roughly \$370 million in fraudulent claims), while Colorado faced \$73 million in fraudulent claims over the same period. In October 2021, California reported \$20 billion in fraud, approximately 11% of total UI paid out in the state. Additionally, a recent audit in Arizona estimated about \$4.4 billion in fraud with the federal UI pandemic programs alone, while an audit of Michigan's unemployment claims concluded the state experienced nearly \$8.5 billion in UI fraud, with a majority occurring through the federal UI programs. Over the past two years, Texas has reportedly paid out nearly \$2.5 billion in fraudulent claims, amounting to about 5% of all claims paid in this period. Federal U.S. Department of Labor officials noted in December 2021 that Oregon had some of the lowest levels of fraud in the nation. Figure 6 illustrates fraud amounts for Oregon, Washington, and California.

## OED has taken steps to address known shortcomings occurring during the pandemic

After early struggles, OED management made efforts to alleviate the enormous backlog in claims, expediting hiring and training, suspending some rules to make UI eligibility easier and better fit with the conditions of the pandemic, and improving engagement with the media. Some of these efforts included:

- Opening new Contact Center locations in Salem and Wilsonville, due to the record high volume of claims brought on by the pandemic. By July 2020, the new contact center location in Wilsonville (the largest location) was staffed with nearly 500 employees.
- Contracting with an outside vendor to process imaged documents received from claimants that the system does not automatically attach to a claim, freeing up contact center staff to answer phone calls and process claims.
- Standing up a new website that was more user-friendly, translated into 15 languages other than English, and updated with the latest program requirements and instruction, as well as creating instruction guides and video clips to help people navigate the claim process.
- With the new website, creating a “Contact Us” feature that allows people to reach out through a ticket system and wait for OED to get back to them.
- During the pandemic, OED implemented a temporary measure called Benefits While You Wait. This process provided benefits to individuals while their UI claims were still pending review and determination in adjudication.
- Revising communication procedures with employers to lessen the time needed to adjudicate claims, to try to get benefits out quicker and reduce backlogs.
- Speeding up adjudicator training by training adjudicators on one type of claim issue at a time and then having them work just those types of claim issues.
- Contracted with a local workforce board to stand up a call center specifically to help individuals with limited English proficiency apply for and access UI benefits.
- Contracted with the Oregon Health Authority to work with community-based organizations to help individuals with limited English proficiency and other communities facing additional access barriers with obtaining UI benefits.

OED also contracted with two consultants for assessments to improve agency efficiency with UI including the adjudication process and agency communications. These contracts have ended, but the agency is continuing to work on projects recommended by one of these consultants, developing resources and strategies to implement better, standardized performance metrics and monitoring procedures. OED is also in the execution phase of two projects to try to improve adjudication timeliness and turnaround, including utilizing office specialists to conduct the initial adjudication case file review, set up files, initiate claimant and employer notification, and assign cases to an adjudicator. This process would free up adjudicators and begin outreach to claimants and employers earlier, potentially reducing the amount of time needed for adjudication.

Additionally, the agency recently contracted with the U.S. Department of Labor and its “Tiger Team” initiative, which deploys UI experts and private sector consultants to identify additional opportunities to improve operations and service delivery in the areas of Timeliness and Backlog; Equity and Accessibility; and Fraud Prevention and Detection.

## OED administers UI benefits, workforce training, and other employment-related programs

Beyond managing Oregon’s UI program (UI Benefits and UI Tax), OED also administers several other programs, including the Workforce Operations Division (a WorkSource Oregon partner), the Workforce and Economic Research Division, and the new Paid Family and Medical Leave Insurance program (called Paid Leave Oregon). The agency also provides administrative support to the Office of Administrative Hearings and the Employment Appeals Board.

The Workforce Operations Division operates with state and local partners in 39 WorkSource Oregon centers throughout the state, providing support and resources to job seekers and employers looking for qualified workers. The Workforce and Economic Research Division provides data and reports on the state’s workforce and economy, including regional labor market data.

The Paid Leave Oregon program, created in 2019 by House Bill 2005, will allow eligible employees to receive some or all of their wages while on family or medical, or safe leave. This program will provide employees with compensation while they are on approved leave to care for and bond with a child in its first year of birth or arrival through adoption or foster care, provide care for a family member with a serious health condition, recover from their own serious health condition, or take “safe leave” related to domestic violence, stalking, sexual assault, or harassment. This new program has a planned rollout of January 2023 for employer and employee contributions, and employees are projected to be able to apply for this benefit starting in September 2023. Additionally, in September 2023, small employers can begin applying for small business grants under Paid Leave Oregon. Originally scheduled to begin in 2022, House Bill 3398 (2021) postponed implementation of employer/employee contributions by one year and delayed the start of benefits by eight months, at OED’s request, due to impacts of the pandemic.

**Figure 7: OED administers multiple UI programs**

Program	Program Duration	Detail
Regular Unemployment Insurance Benefits Program	Up to 26 weeks in a year	Benefits people who(se): Become unemployed due to no fault of their own. Earned wages that were subject to unemployment tax. Meet specific timeframe requirements related to subject wages or a combination of hours worked and subject wages. Meet weekly eligibility requirements.
Trade Act Programs	Weeks vary based on petition filing date (after exhausting regular UI/UI extensions)	Benefits people who lost eligible jobs due to foreign competition.
Work Share Program (Short-time compensation or STC)	Varies	Benefits individuals whose employers partner with OED and opt to reduce three or more of their employees’ scheduled hours and wages (20% - 40%), allowing employees to earn partial UI benefits while staying employed.

Training Unemployment Insurance (TUI) Program	Up to 26 weeks (ties to regular UI claim and may qualify for more weeks if eligible for SUD)	Benefits eligible dislocated workers who can collect regular UI while attending approved school or training full-time.
Supplementary Unemployment for Dislocated Workers (SUD)	Up to 26 weeks (after exhausting TUI)	Additional benefits for individuals in approved training (TUI), who have exhausted regular UI benefits, and meet program eligibility requirements.
Self-Employment Assistance (SEA) Program	Up to 26 weeks (ties to regular UI claim)	Benefits people who are interested in starting their own business, have an approved business plan, and are likely to run out of regular UI benefits before they return to work. Must work on their approved business at least 40 hours each week they claim.
Temporary Lock Out Benefits	Up to 26 weeks (after exhausting regular UI claim)	Benefits people who are involved in a labor dispute with their employer and have been “locked out” of their place of employment. Must have exhausted regular UI benefits before becoming eligible for Temporary Lock Out Benefits.
Apprenticeship Training Program	Up to 26 weeks (ties to regular UI claim)	Regular UI benefits for individuals attending up to 10 weeks of approved apprenticeship training during a benefit year and may be exempt from available-for-work and activity-seeking-work requirements.
Extended Benefits (EB) / High Extended Benefits (HEB)	Varies	During periods of high unemployment, a state will “trigger” on to EB or HEB which provides additional weeks of regular UI benefits. EB provides up to 13 additional weeks of UI benefits; HEB provides up to 20 additional weeks of benefits.
Additional Benefits (OAB)	Varies	A state will “trigger on” on to OAB during periods of high unemployment, traditionally right after the state “triggers off” EB. OAB pays up to 25% of the regular UI claim’s maximum weekly benefit amount (approximately 6 weeks of benefits).
Unemployment Compensation for Federal Employees (UCFE)	Up to 26 weeks	Regular UI benefits for federal employees. Federal benefits which are administered and paid in the same manner as state UI benefits. Federal employers do not report wages to states; those wages must be requested from the state workforce agency at the time the individual files a claim for benefits. Must meet all weekly eligibility requirements.
Unemployment Compensation for Ex-Service Members (UCX)	Up to 26 weeks	Regular UI benefits for ex-services members. Federal benefits which are administered and paid in the same manner as state UI benefits. Service branches do not report wages to states; those wages must be requested from the state workforce agency at time the individual files a claim for benefits. Wages are not tied to the location an individual worked, but to the place the individual is located when they file their initial claim for benefits. Must meet all weekly eligibility requirements.
Disaster Unemployment Assistance Program (DUA)	Up to 26 weeks	If a disaster is declared by the President in one or more Oregon counties and an offer of individual assistance is stated in the declaration, residents in impacted counties, who are not eligible for any other UI benefits program and meet specific criteria, can get DUA benefits. DUA was authorized twice in Oregon during the pandemic, in response to flooding in Umatilla County and for the historic wildfire season.

## OED is funded by a combination of employer UI taxes, federal funds, and state general funds

To cover the cost of providing UI benefits, employers pay into their respective states' UI trust funds through UI taxes. Oregon uses a self-balancing tax structure to fund its UI trust fund, meaning employers pay a tax rate determined by OED's tax schedule as well as the employer's experience rating. Each year's base tax rate is determined by the strength of the UI trust fund; if the trust fund's solvency is good, the tax rate is low, and if the solvency is poor, the tax rate is higher. This is typically countercyclical — rates stay lower through recessions and rise afterwards to rebuild the UI trust fund to pay benefits during the next economic downturn.

Additionally, new employers start at the assigned scheduled tax rate for a specific year, while established employers are assigned a tax rate dependent on the assigned scheduled tax rate for the year and their experience rating. At a high level, experience rating is determined by the amount of benefits paid out from the employer's account in the previous three years compared to the employer's overall payroll. Essentially, the more employees separated from work through no fault of their own and eligible for benefits, the more the experience rating increases. Due to the many mandatory business closures and related layoffs during the pandemic, the Legislature passed HB 3389, which holds employers' experience ratings at their pre-pandemic levels through 2024, among other provisions.

OED's budget and staffing for the 2021-23 biennium grew substantially, largely due to increases in pandemic-related federal funding, the vast increase in workload it saw, and the new Paid Leave Oregon program under development (which is funded through a General Fund loan that must be repaid). As shown in Figure 8, the agency's budget for the current biennium more than quadrupled since the 2017-19 biennium, going from just over \$1.3 billion to nearly \$6.8 billion, with staffing increased from 1,249 to 2,253 Full-Time Equivalent (FTE) positions, or by 80%. However, OED has limits on how it can use each funding stream; for example, Other Funds (Nonlimited) can only be used to pay UI benefits.

**Figure 8: OED's budget grew considerably in the 2021-23 biennium, mostly due to funding for pandemic-related programs**

	2017-19 Actual	2021-23 Legislatively Approved Budget
General Fund	\$0	\$48,765,505
Other Funds	\$145,089,641	\$285,661,087
Federal Funds	\$146,465,578	\$310,599,469
Other Funds (Nonlimited)	\$980,218,895	\$5,058,847,795
Federal Funds (Nonlimited)	\$65,274,200	\$1,081,179,119
<b>Total Funds</b>	<b>\$1,337,048,314</b>	<b>\$6,785,052,975</b>
Positions	1,303	3,304
FTE	1,249.88	2,253.62

Source: 2021-2023 Legislatively Approved Budget

## OED's Adjudication Unit handles complex claims in which eligibility may be unclear and more information is needed

OED's UI program, like UI programs in many states, is complex, with multiple eligibility criteria and filing requirements. With an unprecedented increase in claims at the start of the pandemic, OED had to hire and train new staff on all the rules, requirements, and procedures in administering regular UI, as well as

training them on several new federal programs passed by Congress and changes made to existing programs to adjust to the impacts of the pandemic on employees and businesses.

This was an even bigger challenge for hiring adjudication staff. Adjudication is the process by which OED adjudicators review potential claim eligibility, conduct fact-finding interviews, and apply federal and state laws and rules to determine whether an individual is eligible for UI benefits. Adjudicator training can take 12 or more weeks to complete all subject areas. OED tripled its Adjudication team in 2020, growing from roughly 101 staff in the first quarter of 2020 to 319 by the third quarter of that year.

Unemployed workers may be eligible for UI benefits if they cease working through no fault of their own. Employment separation reasons that may allow someone to receive UI include being discharged for reasons not related to misconduct, voluntarily leaving work with good cause, continuing to work but less than 40 hours a week and earning less than their weekly benefit amount, and being laid off due to lack of work, among other scenarios.

When an individual files for UI, they fill out an initial claim application and then file a separate weekly claim. They continue to file weekly claims for every week they seek to receive UI benefits. The individual can complete these claims online or using the automated telephone weekly claim line. If an individual fills out a claim with information that triggers a possible eligibility issue, it must be adjudicated. Additionally, during any week that an individual claims UI benefits, possible eligibility issues can be referred to OED from employers or other parties, or be discovered by OED during claim audits or eligibility reviews. Regardless of how the eligibility issue is discovered, it will need to be adjudicated.

**Figure 9: Total adjudication decisions from 2019 to 2021 — More adjudicated claims were denied in 2021 than 2019 or 2020, with a majority attributed to PUA claim denials**

	Adjudication Decisions, 2019	%	Adjudication Decisions, 2020	%	Adjudication Decisions, 2021	%
Approved	46,146	42.2%	59,641	46.4%	99,396	27.0%
Denied	62,810	57.4%	67,492	52.6%	268,164	72.8%
Reduced*	479	0.4%	1,289	1.0%	709	0.2%
<b>Total</b>	<b>109,435</b>		<b>128,422</b>		<b>368,269</b>	
	<b>2019</b>		<b>2020</b>		<b>2021</b>	
<b>Initial UI Claims**</b>	218,349		764,300		354,619	

\*In "Reduced" decisions, a claimant is found to be eligible for UI benefits, but at a lower amount.

\*\* While adjudication decision totals include PUA claims, initial UI claim totals do not.

Source: OED and OED website [qualityinfo.org](http://qualityinfo.org)

In addition to separation circumstances, individuals eligible for UI benefits must also meet certain requirements each week to receive benefits in that week, so an individual's responses on their weekly claim can also trigger a flag that requires adjudication. Examples include a person indicating they were not fully able or available to work in their labor market the whole week, turning down a job offer, not completing the minimum job search requirements, or earning income. Figure 9 shows number of decisions made by OED adjudicators from 2019-2021, as well as the number of initial UI claims the agency received in that period. According to OED, a higher percentage of adjudicated claims were

denied in 2021 because many people applied for both regular UI and PUA at the same time. An individual can only be eligible for one program or the other, so in these cases, at least one of the two applications had to be denied, leading to an overall increase in denials.

The agency’s online claim system automatically suspends claims (both initial and weekly) that require further investigation. If an individual is filing their initial or weekly claims by phone with OED, agency staff assisting the individual can manually set a flag and input notes on the claim about the potential issue. The adjudicator will look at the claim, review the flags and notes, and conduct fact-finding interviews and other research to determine the individual’s eligibility.

Sometimes, the adjudicator requires a simple clarification by the individual. Other times, the adjudicator has to gather information from multiple parties to assess the claim issue and determine the final eligibility decision. Some claims have multiple separations that require adjudicating, with each issue requiring a separate determination. If an individual is denied benefits, or benefits are reduced, they have the right to file an appeal, generally within 20 days.

To get a sense of the complexity of claim situations requiring adjudication due to either federal or state program requirements, see Figure 10.

**Figure 10: Many claim situations can trigger adjudication review**

Discharges/suspensions	Voluntary Quits	Nonseparation
Temporary layoff (different eligibility requirements if beyond 4 weeks)	Good cause (adjudicate situations for possible good cause; some reasons require employee to have attempted to seek reasonable alternative work assignment)	Deductible income (i.e., retirement)
Misconduct	Leave work to accompany spouse to a different labor market (eligibility parameters)	Able to work (physically and mentally able to work each week claimed)
Isolated instance of poor judgment	Refuse to join bona fide union membership when it is a requirement for the job	Available for work (available to work customary hours for type of employment sought for each week claimed)
Good faith error	Reduction in pay and/or hours (adjudicate if meets allowable criteria)	Actively seeking work (meeting OED’s required work-seeking activities for each week claimed)
Unavoidable accident	Domestic violence, stalking, and sexual assault	Out of the labor market for portion of week claimed (possibly may not qualify for benefits)
Absence due to illness, physical or mental disability	Quit to accept other work (can qualify under specific criteria)	Failure to register and complete welcome process for OED’s iMatchSkills service within required timeframe
Inefficiency due to lack of job skills, training, or experience	Quit to avoid paying union dues	Incarcerated (adjudicate if created availability issue for customary hours of job being sought)

Discharges/suspensions	Voluntary Quits	Nonseparation
Drugs and alcohol reason (adjudicate if worker was in state-certified addiction program after separation; adjudicate if employer had a reasonable drug and alcohol policy)	Quits before being discharged	Attending school (adjudicate if it conflicts with customary hours of job they are seeking)
Administrative, investigative, or disciplinary suspension (determine eligibility depending on type of suspension and whether it is a paid suspension)	Quits before a planned voluntary exit	Job refusals (if job refused during week claimed, did it meet job suitability criteria)
Discharged 15 days or less before a planned voluntary quit	Failing to maintain a license/certification required for the job	Late reports (filing week(s) outside of acceptable timeframes)
Theft	Quit work to attend school	Fraud, misrepresentation
COVID-19 reasons	Compelling family reason	Identity theft, hijacked claim
	Left work for self-employment	Apprenticeship training
	COVID-19 reasons	Professional athletes
		Failure to provide information
		Education workers
		Non-citizen workers (adjudicate if worker is authorized to work)
		Union member
		Week(s) not claimed (adjudicate whether to restart claim)
		Failure to apply for a job when referred
		Labor Dispute

## During the pandemic, OED staff knew “this is when people need us the most”

Many unemployed workers faced a series of challenges trying to claim unemployment benefits during the pandemic, on top of the worries and uncertainties that already come with losing a job. OED staff were keenly aware of the challenges these workers were facing and felt the strain they were under.

“Take the normal stress of losing a job and just ratchet it up,” said **OED Lead Adjudicator Jenifer Stepat**. She and her fellow workers knew they needed to help as much as they could.

“Overnight, people lost their income. We felt it. We had so much compassion for them. We had calls from people who were suicidal... the desperation in people’s voices was really hard to hear.” However, she also felt thankful to be in a position to help. “Everyone pulled together as a team. We did everything we could at the time to use our talents to make things better.”



**“If 2008 was a slow mudslide, 2020 was like an avalanche.”**

Like many other workplaces, OED staff had to navigate the challenges of changing workplace rules, social distancing, and eventually learning how to function effectively in a virtual environment. “We had staff getting up at 4:00 AM so we could stagger shifts,” Jenifer said. At the same time, the Adjudication Unit faced a workload unlike anything during the Great Recession. “If 2008 was a slow mudslide, 2020 was like an avalanche,” she said. Jenifer pointed out that in normal times, it takes about a year to become comfortable with the rules and situations an adjudicator has to navigate. With all the new programs during the pandemic, adjudicators had to learn and apply the new rules quickly. “You went from feeling like you knew your job well to – Ack!”

**“We are 100% more prepared now than before.”**

Jenifer described the agency as being more prepared for the next downturn, due to improvements in training and everything they experienced with the surge of work during the pandemic. She also noted that the forthcoming IT modernization will have a huge impact. “Everyone is looking forward to that.” In the end, she described the role of an adjudicator as objectively applying law and rule to determine if someone is eligible for benefits. “It can be hard to have to deny people benefits,” she said. “It can break your heart.” But she explained that, by quickly and accurately making the eligibility decision, you can get the claim resolved to help that person move on. “It can be a hard job, but that’s what the job is. My coworkers and I care about the public — that’s why we do this work.”

# Audit Results

State workforce agencies across the country, including OED, were overwhelmed by the surge of pandemic-related UI claims. The agency's inflexible computer systems could not be updated when programs changed, and the phone system could not keep up with the extraordinary increase in calls OED received. The agency also struggled to keep its published resources up to date with the many legislative and UI program changes that occurred.

Long before the pandemic, however, OED struggled making timely decisions on adjudicated claims. Federal timeliness standards compel state workforce agencies to make at least 80% of these decisions within 21 calendar days. Prior to January 2022, OED has not consistently met this benchmark for separation decisions since 2014. Inefficient communication procedures for contacting claimants and employers can delay decisions; the agency's IT system lacks some internal controls for tracking case issues, allowing some claims to fall through the cracks; and adjudicator guidance is spread across several systems. Auditors also found decisions for certain demographic groups took longer, on average, than for others, though the cause for this discrepancy could not be determined due to limitations in the data.

OED is already taking some steps to improve its communications, data system controls, and guidance, but additional improvements could be made to improve adjudication timeliness, reduce the risk of inconsistent determinations, and examine potential inequities. Establishing an ombuds office could also help claimants navigate complex UI programs.

## **Some claims end up taking months or years to adjudicate due to insufficient internal controls in OED's antiquated IT systems**

OED's mainframe system, used to administer and adjudicate claims, is outdated and difficult to update, as previous audits have found. Many of the data fields used by adjudicators are manually entered, without automated or system edit checks or other controls to ensure information entered is accurate. Adjudication managers and lead staff are tasked with monitoring lists of suspended, flagged, and unresolved adjudicated claims, but at the time of the audit, the agency had not developed any formal policies and procedures to ensure these checks are done.

## **Many adjudication system fields are manually entered by staff, without additional controls to prevent errors**

To review OED data on adjudicated claims, we looked at 155,582 records of separation-related adjudications from January 2019 through December 2020.<sup>7</sup> We found a significant number of anomalies in the data, including system field errors, missing fields, and test data that should not have been in the live production system. For example, we found over 900 adjudicated claims with missing issue detection dates or illogical date sequences, such as the date on which an adjudication issue was detected coming before the date of the first effective week of the claim.

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<sup>7</sup> Separation-related adjudications include adjudicated claims in which the claimant was fired, laid off, voluntarily quit, or separated from their job in some way.

We also identified 45,524 possible duplicate records, in which there were multiple adjudication records — sometimes with the same detection date, decision date, and reason for adjudication — under one claimant ID number. According to OED managers, there are many reasons why a claimant may have multiple issues needing adjudication within the same claim. For example, a claimant may find and lose more than one job over the life of a claim, or lose multiple jobs at the same time, in which case the reason for each job loss may need to be adjudicated. However, without looking at the electronic file for each claim, we could not determine with certainty which of these records were legitimate issues within the same claim and which were potential errors.

Additionally, we found 2,298 records in which there was no tracking description entered. This field captures the type of nonmonetary issue that needs to be adjudicated and is supposed to be a required field. OED managers were initially unsure why this field was showing as blank for these records; they were later able to determine the information is contained in the mainframe, but not coming up in data queries. These examples demonstrate the difficulty of pulling reliable information from these aging data systems.

Complicating matters further, many of the adjudication data fields in OED's system are manually entered, including the decision date, detection date, decision code, and nonmonetary tracking code. While the system has some required fields and basic controls, such as not allowing some illogical dates, most of the manually entered fields do not provide drop-down lists of options for staff to choose from, which can reduce errors and typos, or include any input controls to warn staff that an entry may be incorrect.

The errors found in the data and the lack of many basic controls make it difficult to know whether data included in the system are correct without cross-checking them against individual claim files, a process that would be extremely time-consuming given the number of claims OED received over this period. Moreover, because the agency's IT systems are so outdated, it is also difficult to automate these fields or to put additional controls in place to reduce these errors within the current system.

### **Claim issues sent to adjudication, including those sent on for fraud investigations, can take more than a year to be processed**

We also found more than 1,000 claims that seemed to take a year or more to adjudicate from the time of issue detection. Over 300 of these claims appeared to have occurred in 2019, long before any pandemic-related delays should have been present. However, looking at the data, it was unclear whether these cases actually took more than a year for a decision or whether they were the result of errors in either of the date fields.

To examine this further, we asked OED managers about 10 adjudicated claims among those that appeared to have taken the longest to be processed, ranging from 689 to 804 days. Of these 10 files, six included errors in either the detection date or decision date. However, the other four files had been sent to the Benefit Payment Control (BPC) unit within OED, which investigates claims for issues such as potential fraud or identity theft. OED managers reached out to the BPC unit and determined the detection and decision dates for these four claims, which took 729 to 804 days to process, were accurate. According to agency managers, these claims appeared to have been investigated by BPC staff and were set aside while waiting for additional information, where staff then lost track of them and did not follow up on until they were finalized roughly two years later.

Given the small sample of these reviewed claims, we cannot gauge how many more of the records that appeared to have taken more than a year to process were also sent to BPC for investigation without looking at each individual record. However, any number of claims taking that long is problematic and could significantly affect those claimants.

The agency indicated it implemented some ad hoc procedures during the pandemic to manage claims needing more information or action that end up being suspended or needing adjudication. However, at the time of the audit, it had not developed formal policies or procedures to standardize that monitoring to ensure work was consistently being done. OED management indicated they have implemented procedures to make sure claims sent to BPC are tracked.

## **OED's communication procedures for adjudications are outdated and inefficient for contacting parties involved in adjudicated claims**

While the agency has updated some of the ways in which it communicates with claimants, including using caller ID for outgoing calls and accepting emailed information, it still relies heavily on phone calls and letters, which can delay the process. Once implemented, OED's long-planned IT system modernization should help streamline the process.

### **When the pandemic began, OED relied on its phone system for educating and helping people navigate the UI process**

Prior to March 2020, OED's phone system averaged less than a five-minute hold time. However, the system could not keep up with the enormous influx of calls during the pandemic. In part because the agency needed to quickly work with phone service providers to expand the capacity of the OED phone lines, and also because OED did not have an online contact form that could provide an alternative method for reaching the agency other than a phone call, people were forced to wait on hold for several hours, with some callers being disconnected or getting a busy signal.

In the summer of 2020, OED improved its online resources to help individuals access UI benefits without having to rely on calling the agency for support. OED launched a new and improved website in July 2020 with information translated into 15 languages other than English. The new website includes a built-in chat-bot to provide general information to frequently asked questions and a "Contact Us" feature that permits individuals to reach out to the agency regarding their claim and upload documents. In early 2021, OED updated the initial claim application to include a version in Spanish, permitting Spanish-speakers to file their initial claim online versus calling in or having to submit a translated form.



## OED meets federal requirements for attempting to reach claimants and employers, but delays inherent to OED's process can impact timeliness

Federal Department of Labor standards require state workforce agencies to make reasonable attempts to reach claimants and, for certain types of issue, employers, when claims are flagged for adjudication. Per OED policy, adjudicators are required to make at least one attempt to reach claimants, by phone or by mailed letter, which meets the federal minimum. Based on our conversations with several adjudicators, they generally reach out to a claimant by phone, leaving their name and direct phone number if they are unable to speak with the person directly. If they are unable to leave a message, either by voicemail or with another individual who agrees to deliver the message, the adjudicator must send a letter (or a secure email if an email address is on file) to the individual notifying them the department is trying to reach them regarding their claim. If the person does not respond to the initial contact, another call may be made or another letter (or email) may be sent.

By policy, adjudicators are required to allow a claimant at least 48 hours to respond to a voicemail or email message and at least five days to respond to a letter. While this policy helps ensure people are given time to reply to OED requests, it can quickly impact timeliness. For example: An individual might call back after hours or when the adjudicator is on another call. If the individual is not available when the adjudicator returns the call, the adjudicator must give them another 48 hours to respond. If the adjudicator calls and is unable to speak with the person or leave a message, the adjudicator must then send a letter or secure email, requiring a waiting period of 48 hours for email and at least five days for a letter. OED did not previously have consistent caller ID for outbound calls, making it less likely people would answer adjudicator calls, and the agency does not use texting as a method for contacting people, as many UI fraud schemes also use texting. Furthermore, while some email capability is now included as a part of the "Contact Us" form on the OED website, in addition to the agency's secure email system, neither are used as a primary method of contact, and the secure email system is not user-friendly or efficient. OED also does not ask claimants for their preferred communication method when they apply for UI benefits, due to limitations with the legacy mainframe system.

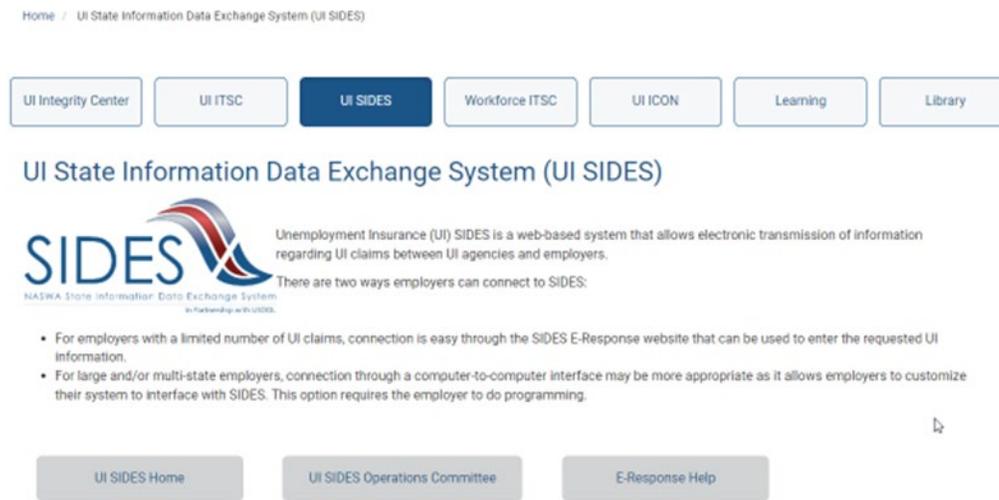
The 21-day federal timeliness benchmark for adjudications begins on the date on which the department detected — or should have detected — an issue that requires adjudication and includes weekends and holidays. If the staff person who initially receives a claim detects an issue needing adjudication, under the federal standard, the adjudication timeliness period would generally start on the date the claim was received; it could be several days into the 21-day period before it comes to an adjudicator, or even beyond the 21-day mark. Also, if an issue is detected late in the work week, it may not get assigned to an adjudicator until the following Monday, reducing the number of days available to adjudicate the issue within the timeliness standard. According to adjudicators we spoke with, claims are often several days into the timeliness period before the adjudicator receives the case.

Additionally, the high frequency of claim backdating during the pandemic exacerbated this issue. When claims were backdated more than 21 days, the adjudication timeliness clock had already run out by the time the issue was identified by OED, so the agency never had an opportunity to write a timely decision. For example, if an initial claim was filed in September 2020 and backdated to April 2020, when the individual separated from work, but OED staff identified an issue needing adjudication for a week claimed in July 2020, the backdating makes it appear the agency should have known about the issue in April, months before the initial claim was received.

Adjudicated claims sometimes need additional information from an individual's former employer to determine eligibility. When an individual files an initial claim application, their former employers are sent a form, called Form 220, to gather information about their job separation. Under state law, an employer must respond to a Form 220 within 10 days to maintain their right to appeal the decision. If the employer does not respond at all, the adjudicator can proceed with the adjudication using only the information provided by the claimant. Also, adjudicators we spoke with noted that if the employer (or their representative) only provides some of the information needed, they are required to make another reasonable attempt to obtain the needed information via phone, email, or letter, which includes another waiting period. Even in these instances, the 21-day timeliness standard still applies.

The National Association of State Workforce Agencies (NASWA) administers a system known as SIDES that allows employers to electronically receive and respond to Form 220s, which can greatly reduce delays inherent in mailed forms, such as incorrect addresses and delivery delays. While OED encourages employers to use SIDES, it does not require any to do so, even larger employers, third-party administrators, or businesses with higher experience ratings.<sup>8</sup>

**Figure 11: The National Association of State Workforce Agencies (NASWA) administers the SIDES program, which allows employers to electronically submit UI information to state UI programs**



Source: NASWA website

The combined effect of these various policies and circumstances means more than a week can go by before an adjudicator has an opportunity to talk with the claimant or, if necessary, the employer. Auditors were unable to determine the percentage of adjudicated claims that are delayed in this way, due to limitations in the adjudication data we received from OED (see pages 21-22 for more information on these data limitations).

The agency's planned modernization of its IT systems should present an opportunity to improve its communications with claimants. The new system should allow:

<sup>8</sup> To help support an equitable distribution of costs across employers, an employer's UI tax rate is based in part on its experience rating, which measures how many of a business's former employees go on unemployment insurance.

- Easier submission of online claims, making it simpler for claimants and agency staff to track and manage claims;
- More questions to be asked up front, when a person is applying for benefits, creating a more complete record with less need for follow-up by the agency; and,
- OED to both ask for and use a claimant's preferred communication method.

According to OED management, the modernized IT system will also incorporate the SIDES system, which should allow OED to receive information more quickly from employers or third-party administrators.

## **During the pandemic, published guidance for claimants and internal guidance for adjudicators was often out-of-date or difficult to find**

With the surge of pandemic-related claims, new UI programs, and retroactive federal guidance supplied by the federal government, OED struggled to provide the public with accurate and up-to-date information. To improve its communication, the agency created a separate UI website for UI claimants to be updated with the newest information on pandemic-related changes and new programs. However, information on the new site did not always match outdated guidance on OED's regular website.

Additionally, adjudicators we spoke with indicated guidance for staff was not centralized or updated regularly, and staff often had to create their own systems for organizing resources on new UI programs and rule changes, increasing the risk of inconsistent adjudication decisions. According to OED management, new information was provided timely to adjudicators by email, memo, and training materials when necessary, but the pre-pandemic guidance repositories were not updated regularly.

## **The agency's published resources were not updated timely, and information could be confusing, conflicting, and difficult to navigate**

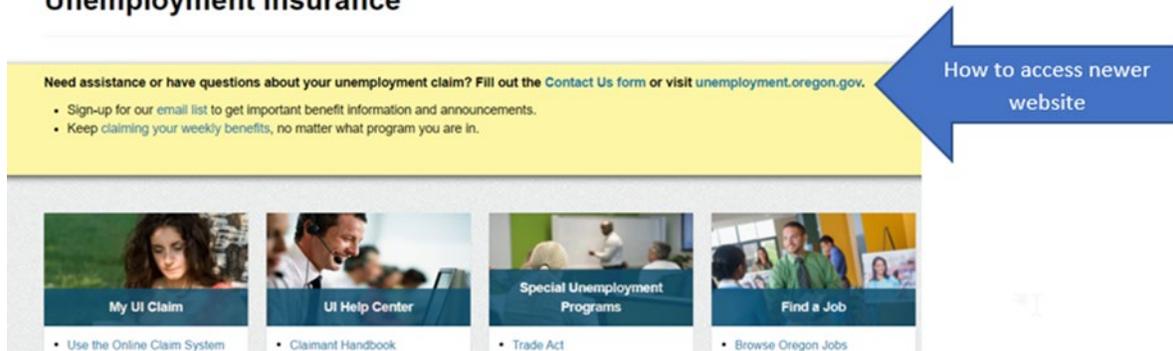
The surge of claims OED received during the pandemic put enormous strain on the agency. While dealing with this unprecedented rise in claims, the agency also had to stand up new UI programs created by Congress and implement multiple changes to these new benefit programs, as well as existing programs, due to actions by Congress or the Legislature. As the pandemic continued, retroactive guidance from the federal government created additional burdens on the agency as staff and managers worked to implement these policies. Taken together, these challenges made it difficult for OED to keep information on its websites up-to-date and accurate.

Early in the pandemic, Congress created new UI programs to help those who did not qualify for regular UI, and the federal Department of Labor issued new guidance relaxing some UI requirements, as entire industries were effectively shut down to help limit the spread of the COVID-19 virus. In an effort to keep up with all the changes, OED created a secondary website that went live in the summer of 2020. This new site contained information on the new UI programs created by Congress, as well as pandemic-related changes to the regular UI programs, and was more accessible for non-English-speaking populations, with UI information translated into multiple languages.

At the same time, OED kept its main agency website with pre-pandemic UI information. Some of this information was outdated and did not reflect program changes made during the pandemic. Though a link to the new site was included in a banner on the old site, a claimant would not get the most up-to-

date information on filing a claim during the pandemic if they did not see the link to the new site. Figure 12 shows the Unemployment Insurance section of the main OED website with the banner linking to the new, updated site.

**Figure 12: OED’s main website included a link at the top of each web page to the new website**  
**Unemployment Insurance**



Source: OED website

Similarly, the agency produced guidance documents and instructional videos to help walk claimants through how to submit a valid online claim during the pandemic. Because OED’s IT systems are antiquated and difficult to update, this guidance could not be built into the online claim system. However, if a claimant did not see these guides or videos, they could enter their claim information incorrectly, possibly resulting in delays, adjudication, or denial of benefits. Figure 13 shows a page from an OED guidance document, pointing out information in their claim system was not updated based on rule changes due to the pandemic.

**Figure 13: Because OED’s antiquated IT systems are difficult to update, the agency had to create separate guidance documents to walk claimants through how to submit a claim during the pandemic**

On the Certification page, there is an eligibility notice based on regular rules and requirements, **but this notice does not include the temporary changes for COVID-19.**

**Therefore, you may still be eligible for benefits.**

The emergency rules also changed the minimum work search standards.

You will be considered “actively seeking work” if you are willing to look for work or return to work for your employer when the statewide emergency ends.

Source: OED online guide, titled “Filing a New Unemployment Insurance Claim Application During COVID-19”

## **Adjudicator guidance is spread across different sources and is not updated, leading to employee workarounds and increased risk of inconsistent determinations**

According to our conversations with OED managers and staff, the agency provides several different avenues through which adjudicators can receive support and guidance in conducting their work, in addition to the enormous number of training documents they receive during initial training. Lead adjudicators provide much of the day-to-day guidance, maintaining chat forums via Microsoft Teams in which adjudicators can ask questions, as well as a shared database in which adjudicators can pose more difficult questions for leads to answer. Some teams maintain their own Teams chats or other forums in which staff can pose questions to their more experienced colleagues. Staff also mentioned the Adjudication unit's internal quality control process, in which a lead or manager reviews a certain number of decisions from every adjudicator on their team each month, to help make sure decisions were made correctly. These reviews are on top of federally required evaluations of benefit accuracy, quality, and timeliness OED also conducts.<sup>9</sup>

When discussing written guidance, however, adjudicators we spoke with noted it is scattered across several platforms, including an outdated benefit manual, an outdated online document library, emailed guidance, laws and rules, U.S. Department of Labor requirement changes, and OED policy changes from OED's UI Operations and Program Support section. According to staff, many adjudicators develop their own documents and systems for keeping track of guidance, which puts newer employees at a disadvantage, as they may not know all the places where guidance might be stored. In conjunction with the lack of organized written guidance, some adjudicators we spoke with also reported getting different answers from different lead workers when requesting help on more difficult adjudication scenarios, as well as confusion among leads on more recent rule changes.

Not providing adjudicators with timely guidance that is easy to access increases the chances of inconsistent adjudication determinations, potentially resulting in erroneous decisions that could affect both claimants and how the agency scores in federally required benefit accuracy and quality evaluations. OED management indicated it is working on creating a centralized resource via Microsoft OneNote that will include links to all the various sources of guidance for adjudicators.

## **Like other large state agencies with complex programs, OED could benefit from an ombuds office to assist and advocate for claimants**

As explained earlier in this report, many of the rules and requirements for UI are complicated and decisions are often dependent upon an individual's particular situation. Not all claimants can understand these complexities themselves, and because they have lost employment, they are likely to be stressed and anxious. Some state agencies in Oregon, as well as other states, provide an Ombuds office to advocate for and assist individuals in getting their cases addressed more quickly.

### **An ombuds office can help individuals navigate complex, bureaucratic programs**

Eligibility rules for UI can be incredibly complex, encompassing both federal requirements and additional rules and policies implemented by individual states. How an individual became unemployed, the circumstances around how and why they became unemployed, how much they worked and earned

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<sup>9</sup> The federally required reviews are Benefit Accuracy Measurement (BAM) and Benefit Timeliness and Quality (BTQ).

while employed, a person's ability and availability to work, and whether they are actively seeking work can all affect whether a claim is eligible for benefits. Not everyone is able to understand and navigate these rules themselves.

Furthermore, adjudicated claims can take many weeks or months to resolve, and sometimes get lost in the system, as we found when examining claims data. Individuals looking for help getting their claim resolved have few avenues to turn to outside the regular claim and adjudication processes, short of contacting their state legislator for help. Those who are less familiar with the unemployment system, who have less education, or for whom English is not their first language, may not be comfortable contacting their legislators or even know of that as an option. For these people, as well as those whose claims may have fallen through the cracks, an ombuds office could help them navigate the complexities of the system and get their claims resolved sooner.

The State of Oregon has already established ombuds offices for other critical state programs, such as:

- Governor's Advocacy Office, which manages the Oregon Department of Human Services (ODHS) Ombuds and Foster Care Ombuds programs, as well as other complaints regarding ODHS;
- Office of Long-Term Care Ombudsman, which also includes the Oregon Public Guardian and Residential Facilities Ombudsman programs;
- Ombuds Office for Oregon Workers, which advocates for and helps workers understand the state's workers' compensation system; and,
- Office of Small Business Assistance, which offers ombuds services to Oregon businesses with up to 100 employees who have questions or concerns about state or local government.



Some other states have ombuds offices that help resolve issues related to UI claims. The ombuds office for the Arizona Department of Economic Security acts as an impartial, independent, and confidential resource for individuals facing issues with UI and several other programs, including the state's food stamp, cash assistance, and developmental disabilities programs. In Alaska, the State Ombudsman investigates citizen complaints about administrative actions taken by state agencies.

Other states, such as Iowa and Hawaii, have ombuds offices that cover most of state government, as well. According to the United States Ombudsman Association, some states also have public agencies with their own ombuds offices, such as the Texas Health and Human Services Office, the Georgia Department of Corrections, and the Minnesota Ombudsman for Mental Health & Developmental Disabilities.

Implementing an ombuds office for UI could help people who may not be able to advocate for themselves and help identify and document trends or gaps in the claims process OED could then investigate, monitor, and improve upon.

## Certain demographic groups appear to have faced longer delays during the pandemic

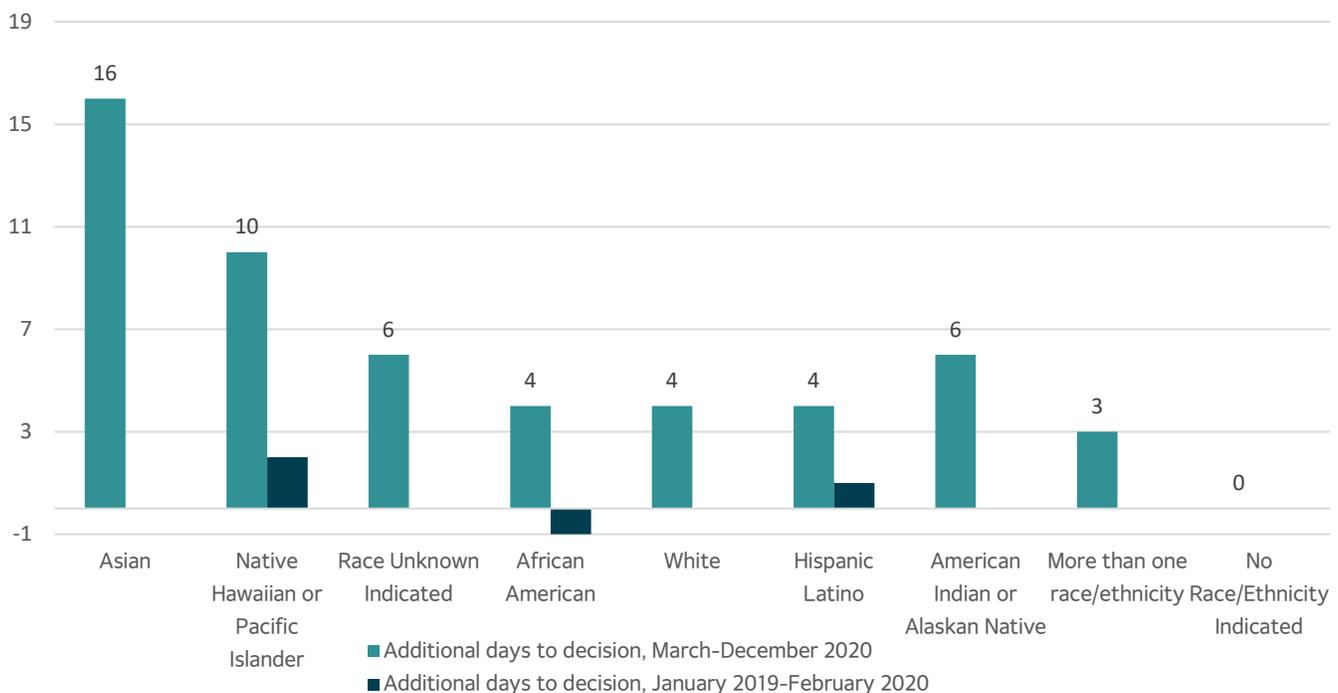
Based on adjudication data, it appeared that adjudications for individuals from some racial and ethnic groups, as well as those with lower earnings, took longer to process during the pandemic than claims from some other groups. Data from before the pandemic did not show this same trend. Due to limitations in the data, we were unable to determine the exact cause of these disparities, but the data are significant enough to warrant further research and attention from OED.

### Though the cause could not be determined, adjudication decisions for certain ethnic groups and claimants with lower wages appeared to take longer on average

As a part of our analysis of OED adjudication data, we examined whether there were differences in adjudication timeliness by certain demographic and socioeconomic factors, including race, ethnicity, and income, using claimants' weekly benefit amount as a stand-in for income level. Though the data issues mentioned previously prevent us from drawing many conclusions, we noticed certain trends in the data that would be worthwhile for OED to further research and monitor.

When looking at the data on separation-related claims, we found adjudications for individuals from certain racial and ethnic groups appeared to take longer to process during the pandemic. For claims filed from March 2020 through December 2020, the longest average time span for an adjudication was 117 days for individuals identifying as Asian — 16 days longer than the shortest average time span, for those claimants who did not indicate their race or ethnicity. Figure 14 shows how many extra days it took for adjudication decisions, on average, by race or ethnicity both during and prior to the pandemic.

**Figure 14: Average adjudication times were up to 16 days longer for certain racial and ethnic groups than adjudications where no race or ethnicity was indicated, though the cause for this disparity is unclear**



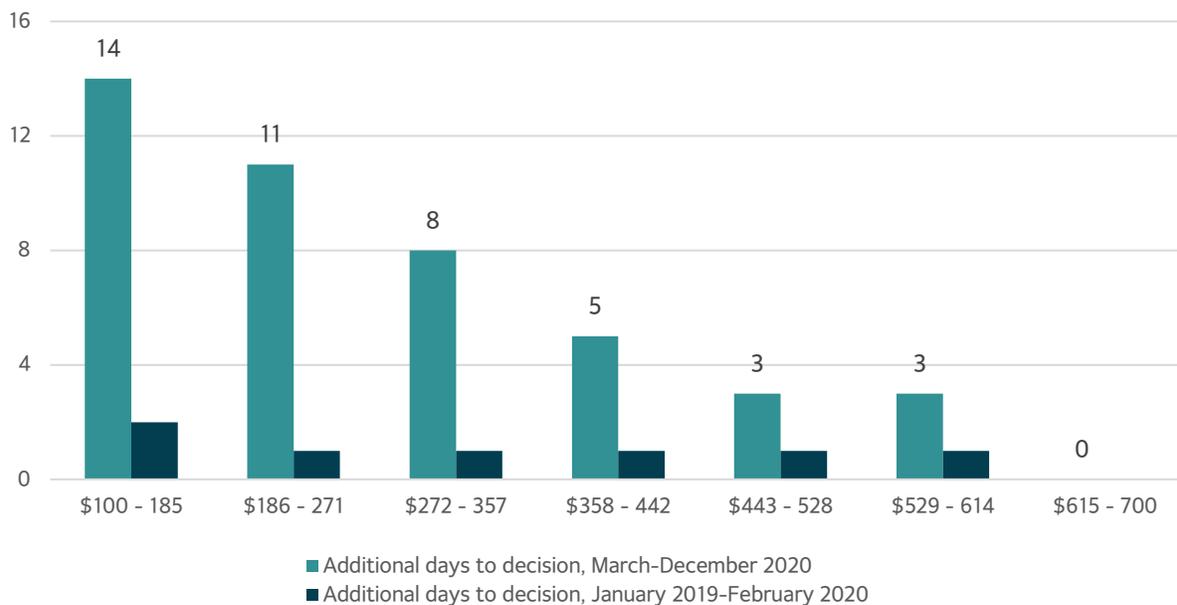
Note: Before the pandemic, decisions for individuals identifying as African American took an average of one day less than those with no race/ethnicity indicated; this is shown here as -1 in the African American category.

Source: OED data

With decisions in the data we analyzed taking an average of over three months during the pandemic, an extra two-week delay in receiving benefits can have a major impact on the lives of those eligible to receive UI. A two-week delay could mean the difference in someone making an on-time car payment or losing their vehicle to repossession, or the ability to purchase food.

OED adjudication data also showed that as the weekly benefit amount increased — which is based on how much a claimant earned while they were employed — the average time to process the adjudication went down. Based on the data, claims with a weekly benefit amount of \$100 to \$185 took an average of 109 days to be adjudicated, while claims with an amount of \$615 to \$700 took an average of 95 days to adjudicate. This would suggest adjudications for those with higher earnings were processed faster than adjudications for those with lower earnings. Figure 15 shows the average adjudication times by weekly benefit amount both during and before the pandemic.

**Figure 15: Claims from those with lower weekly benefit amounts — those with lower earnings — appeared to take longer to adjudicate than those with higher weekly benefit amounts, though the cause is uncertain**



Source: OED data

Because of known data limitations, we could not draw any firm conclusions about the trends we saw. These disparities could be the result of errors in the data that, if corrected, would show smaller discrepancies in adjudication times by race, ethnicity, or earnings. It is also plausible the trends show inequities in the system that need to be corrected. Therefore, it is important for OED to perform further data collection and analysis to identify the potential cause.

Claimants are also not required to provide their race or ethnicity when applying for unemployment benefits. In the data we analyzed, only roughly 33% of claims before the pandemic and 60% of claims during the pandemic included this information. It is possible these trends would be different if every claim had this information.

Even if the disparities found are accurate, there are many reasons they could be occurring. For example, the equity report OED published in 2021 noted workers from communities of color were over-represented in leisure and hospitality jobs, the sector of the economy hardest hit by the pandemic. As

with that sector, if a specific industry was forced to close or reduce operations during the pandemic, there could be many related claims with complicated issues needing adjudication. The pandemic affected virtually every sector of the economy in different ways.

OED should consider monitoring and researching these trends more fully over time. The agency is already taking related steps, having received a grant from the U.S. Department of Labor to improve equitable access to UI programs.

### **OED received a federal grant to improve UI accessibility, as the pandemic highlighted barriers to equitable UI access**

OED published an equity report in 2021 that highlights inequity trends in younger workers, women, low-paid workers, and workers identifying with one or more race or ethnicity other than white.<sup>10</sup> These groups were identified as being more affected by the pandemic due to the high representation of these demographics within many of the service-based job sectors that were hit the hardest. The report concluded lower-wage workers suffered the most job loss brought on by the pandemic.

The report also identified possible UI access barriers for workers who primarily speak a language other than English. These access challenges could be attributed to barriers in computer or internet access, lack of in-person assistance (WorkSource Oregon offices and public libraries were closed due to COVID-19), and barriers accessing timely information translated in languages other than English. Additionally, the online claims application was initially only offered in English, so benefit seekers would need to try to contact OED by phone for assistance. However, callers struggled getting through due to the agency's telephone lines during the pandemic. OED reported receiving more than 20 million calls in April 2020 alone.

Oregon was one of the first states to be granted a federal UI equity access grant, in the amount of just over \$4.5 million, in early 2022. OED plans to stand up an Equitable Access to Unemployment Insurance Business Unit to conduct outreach at the community level and assess UI equity access through routine data analysis to identify disparities and gaps.

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<sup>10</sup> See OED [Report](#) titled 'Disparate Impacts of the Pandemic Recession in Oregon'

# Recommendations

To improve adjudication timeliness and potential inequities, OED should:

1. Implement formal policies and procedures for oversight of adjudicated and suspended claims and data systems;
  - a. Monitor the suspended claims list and adjudication data reports that identify claim files that have not been reviewed within a set period;
2. Incorporate controls and functionality in the modernized IT system to:
  - a. Reduce data errors, such as illogical dates and manual entry errors;
  - b. Automatically flag claims that have not been reviewed within a set period;
  - c. Allow secure electronic communication methods and use claimants' preferred method of communication;
  - d. Allow individuals to securely upload documents and track the progress of their claim;
  - e. Continue to make communication available in languages other than English;
  - f. Provide accurate guidance, explanations, and tips for filling out claim applications;
3. Explore whether other state workforce agencies use texting to communicate with claimants and consider offering texting as an option for claimants who prefer that contact method;
4. Consolidate UI information into one website with detailed, updated guidance and resources for current and prospective claimants;
5. Establish a central repository for adjudicator guidance and assign a manager or lead worker to regularly update that guidance;
6. Study the creation of an ombuds office to help claimants navigate the complexities of the UI system and address unresolved claim issues, in consultation with the Governor's Office and other states; and
7. Continue gathering and analyzing OED data on inequities to identify and address the causes for any confirmed inequities.

# Objective, Scope, and Methodology

## Objective

The objective of this audit was to determine how OED Unemployment Insurance can improve its claim adjudication process to improve average processing times for suspended and adjudicated claims and reduce hardships and inequities.

## Scope

The scope of the audit includes nonmonetary determinations related to separations for claims with a claim date from January 2019 through December 2020.

## Methodology

To address our objective, we conducted interviews or corresponded with multiple stakeholders, including OED personnel across divisions and programs, the Legislative Fiscal Office, Department of Administrative Services Budget Analyst, regional U.S. Department of Labor representatives, Oregon Department of Human Services Ombuds program, and auditors from other state audit offices. We reviewed state and federal rules related to the program and our audit objective, as well as other states' UI program rules and published federal data. We also reviewed federal audits and reports, UI studies, and articles. We reviewed OED policies, procedures, processes, training materials, online resources, and other agency-provided documentation. We reviewed U.S. Department of Labor unemployment insurance program letters, data, and published standards and requirements.

We obtained adjudicated claim data through OED that was specific to separation-related claims with original claim dates spanning from January 2019 to December 2020. Analysis of this data determined it was reliable enough to support our audit objectives, but with significant limitations due to a lack of system controls, leading to data entry errors, illogical date values, and test data in the production environment. The data on claimant demographics is also sufficiently reliable to support our objectives, but with limitations, as claimants are not required to enter race and ethnicity information, so only some claimants have entered that information. We are unable to determine whether differences in adjudication timeliness for these groups are representative of all claimants from these groups or are specific to the subset of claimants who entered their race and ethnicity information.

## Internal control review

We determined that the following internal controls were relevant to our audit objective.<sup>11</sup>

- Control activities
  - We considered whether management has designed control activities related to adjudication timeliness and whether management has designed information systems and related control activities to achieve objectives and respond to risks.
- Monitoring activities

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<sup>11</sup> Auditors relied on standards for internal controls from the U.S. Government Accountability Office, report [GAO-14-704G](#).

- We considered whether management was effectively monitoring internal controls for adjudication timeliness and whether management remediated identified internal control deficiencies on a timely basis.

Deficiencies with these internal controls were documented in the results section of this report.

We conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

We sincerely appreciate the courtesies and cooperation extended by officials and employees of OED during the course of this audit.

#### Audit team

Ian Green, M.Econ, CGAP, CISA, CFE, CIA, Audit Manager

Olivia Rechecked, MPA, Audit Manager

Steve Winn, MPP, Principal Auditor

Christina Nichols, Staff Auditor

#### About the Secretary of State Audits Division

The Oregon Constitution provides that the Secretary of State shall be, by virtue of the office, Auditor of Public Accounts. The Audits Division performs this duty. The division reports to the elected Secretary of State and is independent of other agencies within the Executive, Legislative, and Judicial branches of Oregon government. The division has constitutional authority to audit all state officers, agencies, boards and commissions as well as administer municipal audit law.



# Oregon

Kate Brown, Governor

## Employment Department

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July 22, 2022

Kip Memmott, Director  
Oregon Secretary of State,  
Audits Division  
255 Capitol St. NE, Suite 180  
Salem, OR 97310

Dear Mr. Memmott,

This letter provides a written response to the Oregon Secretary of State's Audits Division's final audit report titled "The Pandemic's Effects on Oregonians Exposed Risks and Highlighted the Need to Modernize Oregon's Unemployment Insurance System."

The Oregon Employment Department (OED) appreciates the role of the Oregon Secretary of State's Audits Division in ensuring state agencies are well-managed and are providing a high level of service to Oregonians. We also appreciate the opportunity to respond to this audit report and the specific recommendations the auditors provided. OED has already made significant improvements in many areas the auditors evaluated, and we know we still have significant work to do to fully meet Oregonians' needs and expectations regarding the timely and efficient delivery of Unemployment Insurance (UI) benefits.

As noted throughout this report, the COVID-19 pandemic was an unprecedented period of financial hardship and job loss for Oregonians, which required multiple federal and state legislative actions to address. This included the creation of several new UI programs that provided benefits for unemployed workers who have never historically been covered by the UI program. Accordingly, extraordinary work within OED was needed to handle the dramatically increased workload involved in implementing these new programs and responding to Oregonians who were in dire need of financial support.

We greatly appreciated the context provided in this audit report related to OED's workload and achievements during this time. For example, as auditors noted, OED staff handled a 600% increase in paid claims and a 1,400% increase in benefits in 2020, compared with 2019, despite not having a modernized IT system. This equated to more than 580,000 people receiving benefits and nearly \$7.5 billion in unemployment insurance benefits paid in a single year (2020). It is also worth noting that the average number of days between Oregonians' initial claim application for UI benefits and their first payment, while still too long, was less than the national average.



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To meet the challenges of the pandemic, OED hired and trained hundreds of new staff members during 2020 and 2021 and reassigned and trained most of our non-UI team to process UI claims. We did all of this while adapting to numerous changes in federal and state unemployment programs and policies. As a result, OED now has a much more experienced and knowledgeable workforce, ready to provide benefits to Oregonians now and into the future. During the pandemic, we learned many lessons about how better to serve Oregonians, and we have seized opportunities to apply what we learned to post-pandemic services, including preparations for future recessions. For example:

- We recognize that, in many cases, adjudication has taken far too long, and we have been committed to changing that. Delays in delivering benefits or resolving questions about benefits can have devastating consequences for those who are ultimately eligible to receive UI benefits. Although we currently lack a case-management system, we have built a number of tools to support claims processing, and we have enhanced training, performance management, case tracking and monitoring, workload forecasting, data reports and dashboards, and other aspects of adjudication work, to allow us to better plan for the future and ensure that cases are moving through the legally required steps efficiently and appropriately.
  - As a result of our work thus far, adjudication timeframes for Oregon UI benefits have improved significantly. They have been timely since January 2022, except for the month of April (78.96% timely) when we ran a clean-up project to complete older claims that were identified through workload tracking reports.
  - For the first calendar quarter of 2022, the last quarter for which the U.S. Department of Labor has complete data available, Oregon met or exceeded the federal target of issuing 80% of adjudication decisions within 21 days, issuing decisions that quickly 88% of the time. Oregon was the fifth best out of the 53 states and territories that have unemployment insurance programs and well above the national performance of just 45.1%.<sup>1</sup>
- We have incorporated solutions to some of the more-recently identified technological shortcomings into our ongoing Modernization project. Some of these solutions were already addressed in the project's request for proposals issued in 2019. We expect to find additional opportunities for improvements once our modernized system, Frances Online, goes live later this year, and those will be high priorities for OED to implement.
- We have implemented specific improvements focused on customer service that have dramatically reduced call wait times and case-resolution times, such as the "Contact Us" form and self-service information mentioned in this report. The vast majority of calls are now answered within five minutes, and the vast majority of "Contact Us" submissions are resolved within seven days. We also provide a weekly dashboard showing call wait



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times and other customer-service data on our UI-focused website. We will continue to be transparent about any issues affecting customer service.

- We recognized the pandemic’s disproportionate impact on some demographic groups, and we took steps to help people have equitable access to UI benefits and other resources. For example, in the past two years, we:
  - Set up a separate call center for people with limited English-language proficiency;
  - Worked with community-based organizations to reach marginalized communities to help them access UI benefits;
  - Applied for and were awarded more than \$7 million in UI navigator and equity grant funding; and
  - Analyzed the potential impacts on different racial and ethnic groups associated with the use of the identity verification tool ID.me.

However, we share the concerns outlined in this report regarding equity—specifically, the disparities auditors found in timely service to different demographic groups. As noted in the report, some of the data needed to fully understand any disparities is voluntary for people to provide us, and so is incomplete. OED is fully dedicated to identifying the issues involved and to continuous improvements that ensure greater equity for all Oregonians. We are currently using grant funding to address potential barriers to equity and improve service delivery, we will continue to seek funding sources to make our efforts permanent. The UI program is a vital safety net, and we are committed to ensuring it is accessible and well serves those most in need of its support.

In summary, OED is committed to learning from the painful lessons of the pandemic and addressing, head on, where we have not met our own, or the public’s, expectations. We have already started the work to make the much-needed, and sometimes long-overdue, improvements to the UI program. We want to make sure the Oregonians who rely on unemployment benefits and other services have the best possible experience as we determine their eligibility for the programs we administer – whether the economy is strong or the state is in a recession, or even a crisis such as the pandemic.

The following is our detailed response to each recommendation in the audit.



**RECOMMENDATION 1**

Implement formal policies and procedures for oversight of adjudicated and suspended claims and data systems;

- a. Monitor the suspended claims list and adjudication data reports that identify claim files that have not been reviewed within a set period.

<b>Agree or Disagree with Recommendation</b>	<b>Target date to complete implementation activities</b>	<b>Name and phone number of specific point of contact for implementation</b>
Agree	Complete	Lindsy Leahy 503-947-1707

**Narrative for Recommendation 1**

In March 2021, UI managers began using a report specifically created to identify suspended claims – ones with outstanding issues that needed to be reviewed and, in many cases, resolved. In April 2021, the adjudication management team created and began using a new report that identifies claim files that have not been reviewed within a set period (referred to as the “stale folder” report). Since development of those reports, assigned managers within the UI program have reviewed the reports daily and weekly and have notified frontline staff and affected management of the need to resolve claims listed on each report. Effective July 15, 2022, formal policies and procedures were adopted, memorializing the steps adjudication managers and staff are expected to take with respect to claims appearing on both the suspense report and stale-folder report.

These reports have helped the UI program identify and address issues faster. This has helped monitor individual and team performance, and also to identify scenarios that are not being adequately handled using the current system of reports and tools, given the current absence of a case management system. Based on the success of these reports, further on-demand adjudication, suspense, and stale-folder monitoring tools will be developed during the definitions phase of the UI Benefits Modernization project for use within the modernized IT system after it goes live.

**RECOMMENDATION 2**

Incorporate controls and functionality in the modernized IT system to:

- a. Reduce data errors, such as illogical dates and manual entry errors;
- b. Automatically flag claims that have not been reviewed within a set period;
- c. Allow secure electronic communication methods and use claimants’ preferred method of communication;
- d. Allow individuals to securely upload documents and track the progress of their claim;
- e. Continue to make communication available in languages other than English;



f. Provide accurate guidance, explanations, and tips for filling out claims applications.		
Agree or Disagree with Recommendation	Target date to complete implementation activities	Name and phone number of specific point of contact for implementation
Agree	June 30, 2024	Lindsy Leahy 503-947-1707

## Narrative for Recommendation 2

OED has specific business requirements that were created for the procurement process of the unemployment insurance (UI) program's modernized IT system, and we will review and reevaluate these business requirements as part of upcoming UI Benefits definition sessions to ensure that the new IT system, Frances Online, offers a high level of customer automation and frontline-staff automation in critical areas, including those listed in Recommendation 2.

- a. The process to issue adjudication decisions is integrated into Frances Online. Frances Online has many configurable options to help minimize errors including prefilled dates, the use of calendars to select dates, and logic checks/warnings on manually entered dates. These will significantly reduce data errors.
- b. The UI program does currently have a tracking system for claim issues. However, it is a manual process, and claims can get overlooked. Our current automation does set flags on both the initial claim and weekly claims, based on how the claimant answers specific questions. However, this information must be queried, and lists must be created for tracking and follow-up. Frances Online has the ability to prioritize work based on defined criteria within the system. This will enable the UI program to create a robust system for monitoring work items, such as initial and weekly claims as they flow through the adjudication process, automatically setting flags based on claimant answers, and follow-up reports based on predetermined timeframes. The system will also be configured to automatically escalate individual claims when they have not been addressed within defined time frames.
- c. The UI program began using secure email in 2016 as a way to communicate confidential information with claimants. During the pandemic, OED began using an online customer ticketing system, "Contact Us", that allowed the agency to securely correspond with a claimant and provide information on the status of their claim. However, system limitations prevent us from capturing a claimant's preferred method of communication and using that preferred method to send all communication related to their claim and the secure email system is not as easy for the public to use as people would like. Frances Online will have a claimant portal that will allow claimants to select their preferred method of communication, and it



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will allow the UI program to deliver communication according to the customer's selection (unless required by law or federal regulation to be delivered by U.S. postal mail). This will be a more user-friendly way to have secure electronic communication with OED about UI issues.

- d. The current online claim system allows claimants to see some basic updates to their claim after the initial claim has been processed. This information is not updated in real time, however. Actions taken on a claim are updated once per day as part of a nightly batch process. The customer ticketing system mentioned above, which OED began using during the pandemic, continues to allow the UI program to securely correspond with a claimant and provide information on the status of their claim. This also allows claimants to securely upload documents. However, system limitations prevent detailed or real-time updates on the status of their claim through the online claim system. The claimant portal in Frances Online will allow claimants to securely upload documents and see additional details so that they can track the status of their claim in real time.
- e. The Employment Department is committed to communicating with customers in their preferred language, both in oral and written communications. Our claimant-facing website, [unemployment.oregon.gov](http://unemployment.oregon.gov), is available in 15 languages other than English, and claimants have access to free language interpretation when they call our UI Contact Center or visit a local WorkSource Oregon Center. Additionally, with mailed correspondence, we include a "Babel notice" in 12 languages, advising claimants that free translation and interpretation services are available in their preferred language at no cost. The Babel notice includes both the UI Contact Center phone number, through which claimants can request free interpretation, and an email address specifically for claimants who need language assistance. During the pandemic, the current legacy online claims system was made available in Spanish, and the automated weekly claims line was made available in Vietnamese, Russian, and Cantonese. The automated weekly claim line was and continues to be available in Spanish and English. Frances Online will be able to support multiple languages, and OED is committed to continuing to make information available in multiple languages. The agency will implement additional language functionality by prioritizing the most critical and commonly used system screens, help features, and correspondence, with the most commonly used languages being available first.
- f. Prior to the pandemic, several videos were available on the agency's website, [Oregon.gov/employ](http://Oregon.gov/employ), that provided helpful information on topics such as:
  - How to file an initial claim;
  - How to file a weekly claim;
  - Working while claiming;
  - How to sign up for direct deposit;



- The adjudication process, and more.

During the pandemic, additional guides and videos were created in multiple languages to explain how to use the online claim system and how to apply for the pandemic programs. Additionally, OED conducted regular live webinars, simulcast in multiple languages, on a variety of unemployment insurance benefits topics throughout 2020 and 2021.

Frances Online will be configured to have embedded information and help screens to assist claimants with filing initial and weekly claims, among other useful items. In addition, the new system will be more intuitive, thus requiring fewer “help” resources.

### **RECOMMENDATION 3**

Explore whether other state workforce agencies use texting to communicate with claimants and consider offering texting as an option for claimants who prefer that contact method.

<b>Agree or Disagree with Recommendation</b>	<b>Target date to complete implementation activities</b>	<b>Name and phone number of specific point of contact for implementation</b>
Agree	December 31, 2022	Lindsi Leahy 503-947-1707

### **Narrative for Recommendation 3**

OED agrees to explore using texting as an option for communicating with claimants. The unemployment insurance (UI) program continues to be concerned with using texting as an option for communication, because during the pandemic, texting was a very prolific avenue for fraudsters to contact claimants. Fraudsters, pretending to represent a state workforce agency, sent texts in an effort to hijack claims or commit other types of UI fraud. Without the proper fraud-prevention measures in place to help safeguard legitimate claimants from fraud attacks, OED would not be able to implement this recommendation before the launch of Frances Online.

Frances Online will have a secure claimant portal and will support the use of SMS texting. Claimants will be able to opt in to receive pushed communication advising them to log into their claimant portal and either review their claim or take specific actions requested by the agency. OED will use the information obtained from examining other states' UI programs experience with texting to determine how best to use texting as a way to increase access to benefits programs, without increasing the risk of fraud.



# Oregon

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## RECOMMENDATION 4

Consolidate UI information into one website with detailed, updated guidance and resources for current and prospective claimants.

Agree or Disagree with Recommendation	Target date to complete implementation activities	Name and phone number of specific point of contact for implementation
Agree	December 31, 2022	Lindsi Leahy 503-947-1707

### Narrative for Recommendation 4

Before the pandemic, all claimant information, guidance, and resources were available on the main OED website, [Oregon.gov/employ](http://Oregon.gov/employ), which is part of the State of Oregon website. OED is required to follow specific guidelines on [Oregon.gov/employ](http://Oregon.gov/employ) that are designed to ensure a consistent look and feel across all State of Oregon websites.

However, during the pandemic, claimants had difficulty navigating these pages, and the machine translation of the page was not adequate to provide meaningful assistance to claimants who did not read English. Additionally, the pre-pandemic website did not support all of the languages we determined our customers needed. As a result, in 2020, OED created a separate unemployment insurance (UI) claimant-focused website, [unemployment.oregon.gov](http://unemployment.oregon.gov), which was translated into 15 languages other than English. OED updated the new website's information throughout the pandemic, and the [Oregon.gov/employ](http://Oregon.gov/employ) website directed visitors to the new website via a prominent yellow banner across the top of each page. This banner provided links to the new website and contact resources.

Unfortunately, during the pandemic, due to the rapid changes occurring within the UI program at a national and state level, it was not feasible to remove content from the old website in tandem with updating the information on the new website, and OED relied on the banner, information supplied to the media, key stakeholders, and written communication to direct customers to the new website that contained accurate information. In April 2022, the agency began a work effort to review all the content on the UI websites, consolidate information, and remove outdated content. This work is scheduled to be completed in December 2022. The old [Oregon.gov/employ](http://Oregon.gov/employ) website will remain in place with basic information about the UI program, but it will direct visitors to [unemployment.oregon.gov](http://unemployment.oregon.gov) for all claimant-specific information, guidance, and resources, because that site supports the additional languages that best represent the population of Oregon.



## RECOMMENDATION 5

Establish a central repository for adjudicator guidance and assign a manager or lead worker to regularly update that guidance.

Agree or Disagree with Recommendation	Target date to complete implementation activities	Name and phone number of specific point of contact for implementation
Agree	June 30, 2023	Lindsy Leahy 503-947-1707

### Narrative for Recommendation 5

Beginning in late 2020, adjudication program managers and leads began a project to consolidate reference materials and index them onto a shared drive for easy access by adjudicators. In the third quarter of 2022, the work continues to audit the materials for completeness and provide updates as needed. We anticipate that work to continue through the fourth quarter of 2022 and the first quarter of 2023. In the second quarter of 2023, the consolidated materials will be labeled and indexed to support user-friendly access for adjudicators and other frontline staff and managers. This work is expected to be complete by June 30, 2023.

When Frances Online goes live with UI benefits, in 2024, it will be the repository for adjudicator guidance, and people will be assigned to regularly review and update that guidance.

## RECOMMENDATION 6

Study the creation of an ombuds office to help claimants navigate the complexities of the UI system and address unresolved claim issues, in consultation with the Governor's Office and other states.

Agree or Disagree with Recommendation	Target date to complete implementation activities	Name and phone number of specific point of contact for implementation
Agree	December 31, 2022	Lindsy Leahy 503-947-1707

### Narrative for Recommendation 6

The unemployment insurance (UI) program has started gathering information and interviewing other states with UI ombuds or advocacy offices to learn about the services they provide, how effective their programs are, how the programs are funded, how many staff work in these offices, how work is tracked and reported, and what lessons they have learned since their offices began operating. Additionally, the UI program will interview ombuds and worker advocates who work in other State of Oregon agencies to hear their thoughts on how a successful office could be built at OED to help UI claimants. Once this phase is complete, we will



analyze the information and put together options for a possible UI ombuds program in Oregon. OED sees the potential value of such an office, but more information is needed to understand the likely scope of benefit to Oregonians, the cost of providing that help using limited resources, and how to ensure such an office helps those needing help, but does not become another route for general inquiries which could be hugely overrun in the event of another infrequent crisis, like a pandemic, related to the sudden shut down of large swaths of Oregon's economy. OED will consult with the Governor's Office on options and recommendations based on the information learned.

<b>RECOMMENDATION 7</b>		
Continue gathering and analyzing OED data for inequities to identify and address the causes for any confirmed inequities.		
<b>Agree or Disagree with Recommendation</b>	<b>Target date to complete implementation activities</b>	<b>Name and phone number of specific point of contact for implementation</b>
Agree	September 30, 2023	Lindsi Leahy 503-947-1707

### **Narrative for Recommendation 7**

OED agrees to continue gathering and analyzing data for inequities. We are deeply concerned about possible inequities in the unemployment insurance (UI) system and we remain committed to studying the available data, looking for opportunities to enhance the data that is incomplete, and to designing strategies to mitigate any inequities that are identified. We have already been taking action to increase access to UI benefits by historically and currently underserved communities. Those actions include making information available in 15 languages besides English, creating the current UI online claims system in Spanish, and increasing community engagement. We have already taken steps to gather and analyze data for inequities and address the causes for any confirmed inequities, including:

- An ID.me impact analysis report (February 2022), which studied the impact of using ID.me's identity verification services for OED customers and led to OED implementing several mitigation strategies.
- A separation impact study (March 2022), which reviewed the impact of adjudication timelines and outcomes across racial, linguistic, and socioeconomic demographics.

OED is committed to integrating equity work at every stage of operations. In June 2021, we adopted an Equity Framework, which includes principles of universal access, tribal consultation, cultural values and unconscious bias, and trauma-informed services. This framework is used as a guiding document for development of new programs and significant modifications of existing programs. The Equity Framework is a comprehensive tool used to outline the core elements for



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engaging with and equitably serving our historically and currently marginalized communities and underserved populations.

OED's commitment to equity work is further demonstrated by our application for grant funds to further support equity work that includes outreach and impact analysis. In March 2022, we were awarded a more-than \$4.5 million UI Equity Grant to fund activities ensuring all eligible workers—particularly those who experience significant barriers to access or have been historically underserved, marginalized, and adversely affected by persistent poverty and inequality—have fair access to UI services and to support activities that promote equitable access to UI programs, including eliminating administrative barriers and improving timeliness of payments to eligible individuals. Part of the UI Equity Grant is reserved specifically for data gathering and impact analysis. The period of performance for the UI Equity Grant ends September 30, 2023.

In June 2022, we were awarded an additional \$3 million in competitive grant funds. We will use this UI Navigator Grant to fund collaboration activities with community-based organizations and to improve opportunities for all workers to learn about, apply for, and, if eligible, receive unemployment insurance benefits and related services. The period of performance for the UI Navigator Grant ends June 14, 2025.

Additionally, OED worked with the U.S. Department of Labor's State Tiger Team to identify several equity and accessibility "quick win" concepts recommended for implementation by OED that we plan to implement, including:

- Enhancing the online environment to provide better support for individuals with vision and hearing impairments, software to monitor online accessibility, and work with vendors to optimize the online environment
- Translation service enhancement through third-party vendors
- Community outreach through the UI Equity Grant
- Claimant experience enhancement by streamlining the application process, improving the quality of and access to instructions at each phase, and expanding access to online services
- Communications review and improvements
- Improving agency diversity training and tools, including recruitment tools that remove potential bias from the recruitment process, and providing evidence-based anti-bias training and tools

Again, we appreciate the Oregon Secretary of State's commitment to an objective review of state performance so Oregonians receive the best possible services. OED shares this goal. We recognize that OED, like state workforce agencies throughout the nation, was not able to perform up to the public's expectations during the pandemic. OED is a very different organization now than at the beginning of 2020. Specific to the subject of this audit, we are



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now consistently meeting adjudication timeliness standards and outperforming most other states. We know there are still many opportunities to do better. We are excited to use our approach of ongoing learning and continuous improvement to provide even better, quicker, services to Oregonians.

If you have any questions, please contact Unemployment Insurance Division Director Lindsy Leahy at [Lindsy.K.LEAHY@employ.oregon.gov](mailto:Lindsy.K.LEAHY@employ.oregon.gov) or 503-947-1707.

Sincerely,

David Gerstenfeld

Acting Director

Oregon Employment Department

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<sup>i</sup> Data Source: U.S. Department of Labor Core Measures - State Results

<https://oui.doleta.gov/unemploy/ranking.asp>



Secretary of State  
Shemia Fagan



Audits Director  
Kip Memmott

This report is intended to promote the best possible management of public resources.  
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