



STATE OF WISCONSIN
Legislative Audit Bureau
NONPARTISAN • INDEPENDENT • ACCURATE

Report 21-2
January 2021

Fraud, Waste, and Mismanagement Hotline

Semiannual Report: July 2020 – December 2020



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The Legislative Audit Bureau supports the Legislature in its oversight of Wisconsin government and its promotion of efficient and effective state operations by providing nonpartisan, independent, accurate, and timely audits and evaluations of public finances and the management of public programs. Bureau reports typically contain reviews of financial transactions, analyses of agency performance or public policy issues, conclusions regarding the causes of problems found, and recommendations for improvement.

Reports are submitted to the Joint Legislative Audit Committee and made available to other committees of the Legislature and to the public. The Audit Committee may arrange public hearings on the issues identified in a report and may introduce legislation in response to the audit recommendations. However, the findings, conclusions, and recommendations in the report are those of the Legislative Audit Bureau.

The Bureau accepts confidential tips about fraud, waste, and mismanagement in any Wisconsin state agency or program through its hotline at 1-877-FRAUD-17.

For more information, visit www.legis.wisconsin.gov/lab.

Contents

Letter of Transmittal	1
Introduction	3
July through December 2020 Hotline Activity	4
Unemployment Insurance Program	7
Unemployment Insurance Issues Reported to the Hotline	8
Benefit Payment Delays	9
Call Center Concerns	11
Other Unemployment Insurance Concerns	11



STATE OF WISCONSIN

Legislative Audit Bureau

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January 29, 2021

Senator Robert Cowles and
Representative Samantha Kerkman, Co-chairpersons
Joint Legislative Audit Committee
State Capitol
Madison, Wisconsin 53702

Dear Senator Cowles and Representative Kerkman:

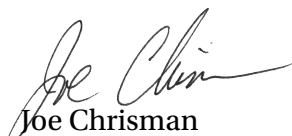
The Legislative Audit Bureau has operated the Fraud, Waste, and Mismanagement Hotline since April 2008. The hotline permits the public and individuals within state government to confidentially report alleged fraud, waste, and mismanagement within the scope of state government. Individuals may remain anonymous, and statutes require us to protect the identity of any individual making a report.

Hotline reports are received primarily through a toll-free telephone number (1-877-FRAUD-17), and they are also received by mail and a secure online form. We review each report to determine whether the allegation or concern can be addressed by staff in state agencies or through an independent review by Bureau staff.

From the inception of the hotline and through December 31, 2020, we received 1,301 reports. From July 1, 2020, through December 31, 2020, we received a total of 75 reports. We highlight findings related to selected reports that we have resolved since the publication of our last semiannual report (report 20-6), including issues reported to the hotline related to the Unemployment Insurance program.

We appreciate the courtesy and cooperation of the various state agencies with whom we worked to resolve hotline reports.

Respectfully submitted,


Joe Chrisman
State Auditor

JC/SH/ss

Introduction

***The Bureau operates
a toll-free hotline
(1-800-FRAUD-17).***

As required by s. 13.94 (1) (br), Wis. Stats., the Bureau operates a toll-free hotline to which individuals may confidentially report alleged fraud, waste, and mismanagement. Callers may remain anonymous, and the Bureau is statutorily required to protect their identities even when other information related to calls is made public. A secure online form is also available to report concerns and can be found on the Bureau's website: <http://www.legis.wisconsin.gov/LAB/>.

The hotline has been in operation since April 2008 and is primarily administered by certified fraud examiners. It does not duplicate or replace other government hotlines or complaint resources. We address hotline reports by:

- following up during the course of ongoing audit work;
- initiating interviews and documentation reviews with other state agencies;
- conducting audits or reviews in response to substantiated allegations and reporting our findings to the Joint Legislative Audit Committee; and
- making referrals, providing information, and correcting misinterpretations that result in allegations.

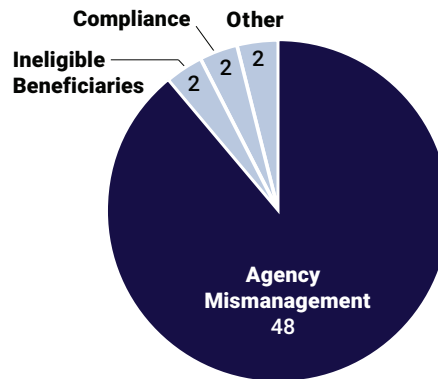
July through December 2020 Hotline Activity

From July through December 2020, we received a total of 75 reports.

Since the inception of the hotline, we have received 1,301 hotline reports alleging fraud, waste, and mismanagement. We received a total of 75 reports from July 1, 2020, through December 31, 2020. Of the 75 reports received from July 1, 2020, through December 31, 2020, 54 reports (72.0 percent) were state-related. As shown in Figure 1, the majority of such reports pertained to concerns about alleged agency mismanagement, agency compliance with state laws or regulations, and ineligible beneficiaries of agency programs.

Figure 1

Reports of Fraud, Waste, and Mismanagement in State Government¹ July through December 2020



¹ Includes 54 state-related reports received from July 1, 2020, through December 31, 2020.

Of the 54 state-related reports received, 39 related to the UI program.

We note that 39 of the 54 state-related hotline reports (72.2 percent) were related to the administration of the Unemployment Insurance (UI) program by the Department of Workforce Development (DWD). We summarize our review of these hotline reports beginning on page 7.

As shown in Figure 2, we placed each hotline report into one of three categories as of December 31, 2020. These categories are:

- resolved, which includes actions taken such as internally researching relevant information, conducting fieldwork with relevant agencies, or referring the matter for review by an agency;
- unfounded/unsubstantiated or no action needed, which includes a determination that the reported

allegation was untrue or limited information was provided to evaluate the concern; and

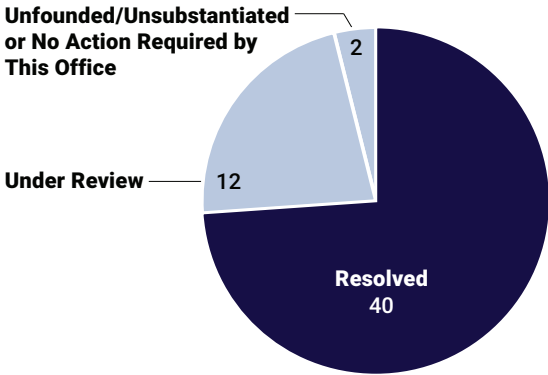
- under review, which includes hotline reports in which a review is ongoing and therefore remains confidential by law.

As of December 31, 2020, we had resolved 40 of the 54 reports to the hotline that were state-related.

As of December 31, 2020, we had resolved 40 of the 54 reports to the hotline that were state-related, either directly or by referral. We determined that 2 reports were unfounded, unsubstantiated, or no action was required. As of January 1, 2021, 12 of the 54 state-related hotline reports remained under review.

Figure 2

Status of State-Related Hotline Reports¹
July through December 2020



¹ Status on December 31, 2020, of the 54 state-related reports received from July 1, 2020, through December 31, 2020.



Unemployment Insurance Program

From March through December 2020, we received 63 hotline reports related to the UI program.

From March through December 2020, we received a total of 63 hotline reports related to the UI program. These reports included issues such as payment delays, call center effectiveness, and other topics. Under the provisions of 2019 Wisconsin Act 185, we completed reviews of certain aspects of DWD's administration of the UI program, including:

- *Overpayment of Certain Unemployment Insurance Program Benefits* (report 20-5);
- *Unemployment Insurance Call Centers* (report 20-13); and
- *Processing Certain Unemployment Insurance Claims* (report 20-28).

These reviews also addressed concerns reported to the hotline, yet did not include a review of the specific allegations reported to the hotline or circumstances reported by those who contacted the hotline. Separate from these reviews, we reviewed the individual circumstances of each hotline report that included sufficient information. Our review of these hotline reports resulted in findings similar to the broader findings described in reports 20-13 and 20-28.

Unemployment Insurance Issues Reported to the Hotline

The 63 hotline reports received by the hotline included a total of 110 issues.

Many hotline reports we received included multiple issues. As shown in Table 1, the 63 hotline reports we received included a total of 110 issues, including:

- benefit payment delays, which included concerns about the timeliness of receiving eligibility determinations or benefit payments;
- call center effectiveness, which included concerns related to wait times, insufficient assistance, or return calls that did not occur as scheduled;
- incorrect denials, which included concerns with DWD's decision to deny benefits; and
- other concerns, which included compliance with program requirements.

Table 1

Unemployment Insurance Program Issues Reported to the Hotline March through December 2020

Category	Number of Issues
Benefit Payment Delays	44
Call Center Effectiveness	38
Incorrect Denials	9
Other ¹	19
Total²	110

¹ This category included issues such as concerns with confidentiality, potential fraud, and compliance with program requirements.

² The number of issues exceeded the number of hotline reports received as some reports contained multiple issues.

Benefit Payment Delays

To determine whether individuals are statutorily eligible to receive program benefits, DWD relies on information provided by individuals and their employers. If this information does not allow DWD to determine whether the individual is eligible, DWD places the claim into adjudication. For example, if an individual indicated that he or she quit a job but subsequently obtained a new job from which the individual was laid off, that individual may or may not be eligible for program benefits. During adjudication, DWD does not pay benefits until it determines whether individuals who filed the claims are eligible to receive benefits and, if so, the amounts they should receive.

As of November 30, 2020, we found DWD had resolved 30 of the 38 claims (78.9 percent) we analyzed.

We reviewed UI program documentation for 38 of the 44 individuals who reported UI benefit payment delays to the hotline between March and November 2020. For purposes of this analysis, we did not review in detail the six reports that did not contain sufficient information or that we received after November 30, 2020. As shown in Table 2, our review of the claims of these 38 individuals found that DWD had resolved 30 claims (78.9 percent) as of November 30, 2020. Of the eight claims awaiting resolution on November 30, 2020, we found DWD had resolved four claims as of January 15, 2021.

Table 2

Status of Unemployment Insurance Claims¹ (as of November 30, 2020)

	Number of Individuals	Percentage of Total
Resolved Claims		
Paid	23	60.5%
Denied	7	18.4
Subtotal	30	78.9
Unresolved Claims		
Pending Resolution ²	8	21.1
Total	38	100.0%

¹ Based on our review of available information in DWD's UI case files for 38 of the 44 individuals who reported a benefit payment delay to the hotline.

² Includes claims that were pending adjudication or appeal of a determination.

10 > UNEMPLOYMENT INSURANCE PROGRAM

For the 23 individuals for whom DWD paid claims prior to December 1, 2020, we found that these claims were most often placed into adjudication when there were questions about whether:

- the individual quit or was discharged by their employer;
- the individual earned enough income to qualify for program benefits;
- the individual was able or available to work full-time, including because of physical disabilities or enrollment in educational programs; or
- the income reported by the individual differed from the income reported by the employer.

DWD took more than 15 weeks to pay 12 of 23 claims (52.2 percent) we reviewed.

As shown in Table 3, we found that 12 of the 23 claims (52.2 percent) took more than 15 weeks for DWD to pay the claims. DWD paid 5 of the 23 claims in less than 5 weeks and 6 of the 23 claims in 5 to 15 weeks.

Table 3

Estimated Time for DWD to Pay Regular Program Benefits¹

Claims Paid	Number of Claims	Percentage of Total
Less than 5 Weeks	5	21.7%
5 to 15 Weeks	6	26.1
More than 15 Weeks	12	52.2
	23	100.0%

¹ Based on available information in DWD's UI case files. Data includes claims for four claimants for whom DWD had begun making UI payments that were later suspended pending adjudication of issues identified.

We found that some claimants experienced benefit payment delays because DWD did not take prompt action. For example, an individual submitted an initial claim in June 2020. This claim was placed into adjudication to review income reported by the individual. An adjudicator contacted the individual and their former employer 109 days after receiving information relevant to the claim. From these conversations, DWD determined that the individual was eligible for benefits and paid the individual's claim on the same day.

Our findings are consistent with those we identified in report 20-28 and for which we recommended that DWD use the results of our review to improve its adjudication process to pay benefits in a timely manner. We also recommended that DWD report to the Joint Legislative Audit Committee by January 15, 2021, on the status of its efforts to implement this recommendation. In its report, DWD indicated that it had used the analyses in our review to help make more timely benefit determinations.

Call Center Concerns

In report 20-13 we found from mid-March through June 2020, 93.9 percent of calls were either blocked or resulted in a busy signal. Further, when claimants connected with the call center, claimants were on hold for an average of 52.2 minutes prior to speaking with a DWD representative. Our hotline also received concerns related to DWD's UI call centers. For example, one individual reported that despite having an appointment to discuss questions on a filed claim with a UI supervisor, the individual did not receive a call within the two-hour period specified for the appointment and the individual was subsequently placed on hold for more than two hours without their concern being resolved. The individual subsequently abandoned efforts to speak to DWD.

Other Unemployment Insurance Concerns

In addition to reports of benefit payment delays and call center concerns, we also resolved hotline reports that involved other UI program concerns.

First, based on a report to the hotline, we reviewed whether DWD was appropriately denying Federal Pandemic Unemployment Compensation (FPUC) program benefits for claimants for whom DWD had previously assessed as ineligible for regular UI payments. FPUC benefits provide an additional \$600 in weekly benefits to claimants eligible to receive regular UI benefits. If DWD had previously identified a claimant as ineligible, including instances where claimants were found to have provided inaccurate information, DWD denied FPUC benefits, which resulted in claimants being ineligible for the additional \$600 in weekly benefits. We found that the U.S. Department of Labor confirmed that DWD had correctly interpreted the FPUC regulations in denying benefits for individuals previously found ineligible for regular UI benefits.

We also found that such individuals may have been eligible for the federal Pandemic Unemployment Assistance (PUA) program. In report 20-28, we recommended that DWD identify all individuals who are potentially eligible for PUA program benefits and provide them with

a written notification of their potential eligibility and instructions for filing such benefits. In January 2021, DWD reported to the Joint Legislative Audit Committee that it had provided the written notification in December 2020.

Second, based on a report to the hotline, we reviewed whether DWD appropriately attributed an overpayment of benefits to an individual. This individual filed an initial claim in May 2020. However after determining the claim should be filed in another state, the individual took steps to notify DWD to withdraw their Wisconsin claim. We found that DWD did not act on this information and instead paid the individual's Wisconsin claim in July 2020. In August 2020, the individual attempted to determine how to repay the Wisconsin benefit payments. Ultimately, the individual was required to repay both the amount that was received and the amount withheld for taxes on behalf of the individual. According to DWD, the individual may recoup the related taxes when filing their tax return for 2020. However, if DWD had acted on information that was available to it, DWD could have avoided the payment of benefits.

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