



MICHIGAN
HOUSE OF REPRESENTATIVES
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Minutes of the House Standing Committee
on
Oversight and Ethics

Thursday, May 26, 2016

10:30 a.m.

Room 326 House Office Building

The House Standing Committee on Oversight and Ethics was called to order by Representative Ed McBroom, Chair.

The Clerk called the roll; members present were **Representatives McBroom, Howrylak, Graves, Theis, Robinson, and Pagan. (6/6)**

The Clerk announced that a quorum was present.

The Chair laid before the committee the minutes of May 19, 2016.

Representative Theis moved to adopt the minutes of May 19, 2016 as printed.

There being no objection the motion prevailed by unanimous consent of the members present; the minutes were adopted as printed.

The Chair laid before the committee House Bill 5639.

HB 5639 (Hughes)

Veterans; veterans' homes; reporting requirements for state veterans' facilities; provide for.

Representative Hughes, the bill sponsor, explained the bill. Questions followed.

The Chair laid before the committee the Office of the Auditor General Performance Audit.

Performance Audit Report of the
Claimant Services,
Unemployment Insurance Agency,
Talent Investment Agency,
Department of Talent and Economic Development
April 2016
Report Number: 641-0318-14

Laura J. Hirst, C.P.A., Deputy Auditor General, and Scot E. Hazel, Assistant Auditor General, the onsite Auditor Supervisor, and gave a brief overview of the findings. Questions and discussion followed.

At 10:52 a.m., the committee went at ease at the call of Chair.
At 10:57 a.m., the committee reconvened.

The Chair laid before the committee the subcommittee's report.

**Unemployment Insurance Reform Recommendation
by the
House Oversight Subcommittee**

The Subcommittee, created pursuant to House Rule 34, agrees that Michigan's Unemployment Insurance system is in need of refinement. Policy and statutory changes to the system should include, but not be limited to, the following:

1. The comprehensive overhaul of Department communications with claimants and employers. This includes refining forms, such as the 1713 fact finding form, and including factual information in communications detailing what constituted a violation or finding by the Department.
 - a. The Subcommittee heard ample testimony from stakeholders featuring their frustration with the quality of communications from the Department. Individuals testified that information they received was confusing, difficult to respond to and rarely included the necessary factual material to respond meaningfully.
2. The communication by the Department of a claimant's ability to utilize an advocate if one is not made available to them by the state. In addition, the communication should include information on free or low cost legal services available to a claimant for the purpose of defending themselves against allegations of fraud or intentional misrepresentation.
 - a. The Subcommittee heard from individual claimant attorneys about their concerns with how the current advocacy service works. Individuals who are adjudicated fraudulent or as intentionally misrepresenting themselves don't have access to the advocacy service. Ensuring that individuals know what their options are helps protect them; at the very least communication should include information on how to hire an advocate to help claimants navigate the system.
3. The alteration of state law to require the Department to utilize human review for any instance where a discrepancy has been identified. Requiring human review will ensure that individuals are not automatically adjudicated as fraudulent.
 - a. The Subcommittee heard testimony on the rampant problems with the Department's use of MiDAS to identify and adjudicate fraud. This testimony highlighted the problems revealed by the Office of the Auditor General's report on MiDAS and reiterated the need to codify a prohibition on using a computerized system for work that a human needs to

do. MiDAS fails to recognize discrepancy nuance that a human can easily identify and follow up on to remedy.

4. The Department shall review their required response times for return of information from claimants and employers. While the federal timeliness requirements are important to maintain state compliance, extending the timeline by 2-3 days would allow employers and claimants the time they need to effectively respond to inquiries.
 - a. The Subcommittee heard from employers and claimants alike that the 10 day timeline for returning documents provides individuals with little ability to gather necessary information and respond meaningfully. Often, individuals testified, by the time communications arrived the 10 day timeline was nearly expired. Adding in an extra day or two, and requiring the timeline to begin running upon postage date would ensure individuals have enough time to gather information and respond.
5. The Department shall discontinue usage of quarterly smoothing when reporting employee weekly wages. Ensuring that income is reported accurately and for the weeks, it was earned protects employees and employers alike.
 - a. Testimony from individuals who work as claimant's attorneys shared concerns with the Department's use of quarterly income smoothing. Under some circumstances, claimants were seeing their income averaged over a quarter instead of applied distinctly to the week income was earned. This process was cited as a frequent cause of issues with eligibility.
6. The alteration of state law to reduce the amount of time the Department is permitted to go back and find fraud in backlogged claims.
 - a. Testimony from multiple parties highlighted the concern with the Department's extended ability to go back and review claims for improperly paid benefits. The Michigan Employment Security Act allows the Department to review benefits for up to 6 years in certain circumstances. Subcommittee members heard testimony suggesting that the time period is overly extended and works to harm claimants who have long since moved on with their lives.
7. The Department shall consider ways to make the Michigan Web Account Manager (MiWAM) more user friendly, for claimants and employers.
 - a. Subcommittee members heard countless stories of communication difficulties from both employers and claimants. To combat continued communications issues, the Department should consider enhancements to MiWAM that would allow claimants and employers to effectively communicate with UIA.

8. The Office of the Auditor General should conduct follow up audits on MiDAS and Claimant Services to ensure all identified issues are resolved.
 - a. Both the MiDAS and Claimant Services audits revealed material findings. Continuing to review these findings and ensure they are being followed will hold the Department accountable.

The Subcommittee recommends that the full committee contemplate these legislative and policy recommendations. Following approval by Oversight and Ethics members, recommended policy changes shall be communicated to the Department in conjunction with a request that the Department report back on changes made. Statutory changes should be discussed by the full committee to ensure that the suggested changes meet the goals of refining the Unemployment Insurance system. In addition, the Subcommittee recommends that Oversight and Ethics committee members consider whether they would be interested in sponsoring their own parts of the statutory recommendations.

Representative Graves, the Chair of the subcommittee, explained each of the findings and took questions from committee members.

The Chair laid before the committee the Office of the Auditor General Performance Audit and the subcommittee's report.

Stephanie Comai, Director of the Talent Investment Agency in the Michigan Department of Talent and Economic Development, explained the department's handouts, and responded to various questions pertaining to the two reports. A copies of the three handouts are attached.

Sharon Moffett-Massey, Director of the Unemployment Insurance Agency in the Michigan Department of Licensing and Regulatory Affairs, responded to questions.

Stephen M. Geskey, State and Federal Policy Director in the Unemployment Insurance Agency in the Michigan Department of Talent and Economic Development, responded to questions.

The Chair returned to House Bill 5639.

HB 5639 (Hughes) Veterans; veterans' homes; reporting requirements for state veterans' facilities; provide for.

The Chair offered the substitute (H-1) for House Bill 5639.

Representative McBroom moved to adopt the substitute (H-1) for House Bill 5639.

The motion prevailed by an affirmative vote of a majority of the members appointed to and serving on the committee, voting as follows:

Yeas: Representatives McBroom, Howrylak, Graves, Theis, Robinson, and Pagan, (6/6)

Nays: None. (0)

The substitute was adopted.

Representative Theis moved to report House Bill 5639 with the recommendation that the substitute (H-1) be adopted and that the bill then pass.

The motion prevailed by an affirmative vote of a majority of the members appointed to and serving on the committee, voting as follows:

Yeas: Representatives McBroom, Howrylak, Graves, Theis, Robinson, and Pagan, (6/6)

Nays: None. (0/6)

The bill and substitute were referred to the full House.

There being no other business before the committee; **Representative Theis moved to adjourn the meeting.**

The motion prevailed, the time being 12:02 p.m.

The Chair declared the Committee adjourned.

Ed McBroom, Chair
House Standing Committee on Oversight and Ethics

Joy Brewer, Committee Clerk

Date approved by the committee