



## **EXECUTIVE SUMMARY**

### **DEPARTMENT OF LABOR AND WORKFORCE DEVELOPMENT DIVISION OF UNEMPLOYMENT INSURANCE**

**July 1, 2019 to January 31, 2023**

We found the division's internal controls over the review and processing of unemployment insurance (UI) claims were adequate, and the division was in compliance with applicable laws and regulations. However, in making these determinations, we identified weaknesses in the division's monitoring of the call center contract, marketing of the Shared Work Program (SWP), request for proposal of collection and disbursement services, and closing of nonmonetary adjudication cases. In addition, our analysis of the significant number of UI claims beginning March 2020 and its impact on the division's operations is presented as an observation before the audit findings in the report.

### **AUDIT HIGHLIGHTS**

- We observed the department was significantly impacted by the pandemic because of the large influx of initial UI claims. The department added several fraud prevention measures to strengthen its anti-fraud efforts.
- The department contracted with a call center to expand the division's capability to address the significant increase in the number of calls received during the pandemic. Contract standards and requirements were not met by the contracted call center, and documentation of the division's monitoring of the vendor's call system was not supported for the reconciliation of the monthly call reports.
- The Coronavirus Aid, Relief, and Economic Security Act included a provision that SWP claims were 100 percent federally funded from March 17, 2020 through September 6, 2021 if a state had an existing SWP. The division determined it was necessary to better market the program during the pandemic; however, the marketing efforts were not timely to benefit from the 100 percent federal funding.
- We performed an analysis of New Jersey employers who could have potentially enrolled in the SWP and identified 973 with a total of 30,280 UI claims totaling \$181,610,353. If 20 percent of those employer claims could have been converted to the SWP, the Unemployment Compensation Fund could have saved approximately \$36.3 million. Additionally, a state employee union entered into a Memorandum of Agreement with the Executive Branch in June 2020 that included two sets of furlough days for the union members. The state could have saved approximately \$20.5 million by converting furloughed union members claims to the SWP.
- The department's Collection and Disbursement Services Request for Proposal did not contain language requiring embedded chip technology for prepaid debit cards, which is a fraud prevention measure.
- Nonmonetary adjudication cases with no response to the division's required online questionnaire are not closed timely, resulting in an overstated backlog of cases. Our testing of 100 closed nonmonetary adjudication cases and 100 open nonmonetary adjudication cases found 38 percent and 40 percent of claimants, respectively, did not respond to the division's online questionnaire.

### **AUDITEE RESPONSE**

The department generally concurs with our findings and recommendations.

For the complete audit report or to print this Executive Summary, click on the attached files.