

UNEMPLOYMENT INSURANCE BENEFITS

PROGRAM EVALUATION AND AUDIT



METROPOLITAN
C O U N C I L

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Highlights

Payments are being made late and documentation and information is lacking.

What We Found

What's Working Well

Human Resource (HR) staff are raising issues or responding within the Minnesota Unemployment Insurance (MNUI) system to prevent incorrect payments from being made from our account. The Office of General Counsel (OGC) is also regularly responding to appeals and attending hearings.

What Needs Improvement

The Council relies on manual processes to make payments to MNUI, resulting in late payments across multiple quarters. The Council also does not follow retention schedules for documentation related to unemployment insurance (UI) claims.



What We Recommend

HR Should:

- Determine what unemployment documentation to keep, where to keep it, and adhere to their retention schedule.
- With OGC, review the option to appeal determinations made by MNUI.

Finance Should:

- Implement a process to support on time payments and it should be documented.

Why We Did This Work

Each year, the Metropolitan Council reviews and responds to over 100 UI claims. All claims, appeals, and bills (instead of payments) are reviewed through MNUI's online portal. Inaccuracy at any point or failure to respond could result in charges to the Council's account.

What We Reviewed

Audit conducted interviews with staff, reviewed wage detail reports, quarterly bills from MNUI, UI claims, claim appeals made by the Council, journal entries, notices of debt from MNUI, and payment details/receipts between January 1, 2022, and July 31, 2023.

How We Did This Work

Audit reviewed documentation from the Council and MNUI to verify that the Council processed wage detail reports and promptly paid its UI bill. Audit also reviewed documentation to verify the appropriateness of UI claims and appeals.

Summary of Findings

Number	Description	Recommendation	Follow-up Action	Page
Observation 1	The Council paid its UI bill late for four of the five periods reviewed.	Finance staff should implement a process to support on time payments. This should be documented.	Retest timeliness of payments.	4
Observation 2	HR is not retaining required unemployment insurance documentation.	HR should determine what unemployment documentation to keep, where to keep them, and then adhere to their retention schedule.	Retest a sample of claims and any related documentation.	5
		HR staff should be trained/retrained on the retention schedule for UI documents.	Confirm training has been completed.	6
Observation 3	It is unclear when the Council responds to MNUI, and the Council does not appeal decisions.	HR and OGC should review the decision made several years ago by executive staff not to appeal decisions made by MNUI.	Confirm a decision has been made. If the decision is to appeal MNUI determinations, then confirm guidelines have been established. Q1 2024.	7
		HR should note the date of their responses and when information is provided to MNUI.	Review tracker to determine if dates are included.	8

Introduction

Background

Each year, the Metropolitan Council reviews and responds to over 100 unemployment insurance claims. As the Council is a political subdivision, it has the option, and has elected, to have a reimbursing account with the Minnesota Unemployment Insurance (MNUI) program.¹ A reimbursing account allows an entity to pay just the unemployment benefits it is responsible for instead of paying a quarterly tax. This requires an organization to pay a bill and submit wage reports to MNUI every quarter. While the Council covers these quarterly payments, claims, appeals, and the payments to eligible applicants are processed through MNUI.

The Council's quarterly bills from MNUI are based on benefits paid to applicants in the prior quarter. The claims process starts when an applicant files for unemployment insurance (UI) benefits with MNUI. MNUI then uses information provided by the applicant and the Council to determine whether an applicant is eligible for benefits. Then, MNUI calculates what those benefits should be based on the wage information provided by the Council and the applicant. For a period after a determination of benefits is made by MNUI, the Council can contest an applicant's benefits or eligibility by adding additional context that could affect whether they are eligible (i.e., the employee left willingly, retired, was fired for serious misconduct, etc.). If it is determined that an applicant is still eligible for benefits after this point, Council staff do not appeal eligibility.

During the COVID-19 pandemic, MNUI stopped sending quarterly bills between Q2 2020 and Q4 2021 due to an influx of claims, fraudulent or otherwise. When bills resumed in Q1 2022 MNUI sent the Q1 2022 bill, which included the previous seven quarters of accrued benefits paid. Before receiving the Q1 2022 bill, the Council received a notice in March 2022 that billing was resuming.

Objective

The objectives for this audit were to:

1. Ensure the Council reviews and responds to benefit activity that affects its MNUI account.
2. Ensure the Council pays its quarterly MNUI bill on time.
3. Ensure the Council is submitting the quarterly wage detail reports on time to MNUI.

This audit considered the Council's *Thrive MSP 2040* Outcomes and Principles, primarily *Accountability* and *Stewardship*. The audit supports *Accountability* by confirming that the Council properly reviews and responds to unemployment insurance claims. This audit supports *Stewardship* of taxpayer dollars used to make unemployment insurance payments to former employees.

¹ MN State Statute 268.052 Subd. 1: In lieu of taxes payable on a quarterly basis, the state of Minnesota or its political subdivisions must reimburse the trust fund the amount of unemployment benefits charged to its reimbursable account under section 268.047.

Scope

Audit reviewed wage detail reports sent to MNUI, quarterly bills from MNUI, UI claims, claim appeals made by the applicant, journal entries, notices of debt from MNUI, and payment details/receipts between January 1, 2022, and March 31st, 2023.

Methodology

Audit conducted interviews with Human Resources (HR), Payroll, and Office of General Counsel (OGC) staff to determine the methods, processes, and controls for UI claims, payments, and appeals. Interviews also asked about desired practices to determine if better systems are available.

Audit reviewed internal documents and records, including wage detail reports and journal entries. Auditors also reviewed external documents, like quarterly billing information sent to the Council, payment detail reports on the MNUI website, and communications sent to the Council from MNUI.

Audit reviewed state statutes to determine requirements for making on-time payments and retaining documentation.

Limitations

MNUI's website/portal did not always provide the level of detail needed to determine when or how the Council responded to MNUI requests.

Equity

Unemployment insurance is a program designed to provide temporary financial assistance to workers recently laid off or fired without fault. Accurate records, reporting, and claim processes ensure all eligible applicants receive UI benefits.

Recognition

Audit would like to thank HR, Payroll, and the OGC for their cooperation, collaboration, and prompt replies during this audit.

Observations

The Council paid its UI bill late for four of the five periods reviewed.

The Council must make payments, in full, to MNUI two months after the last day of the quarter.² However, for the five quarters reviewed (all of 2022 and the first quarter of 2023), the Council did not pay its bill from MNUI on time for four out of the five quarters.

Several factors led to late payments to MNUI. First, MNUI stopped issuing bills during the pandemic. When MNUI started issuing bills again, the bill and an official notification saying billing was resuming were sent to the Council. However, Payroll stated they missed the notification and Q1 2022 bill from MNUI.

Secondly, a couple of manual processes introduce a factor of human error that allows for the potential of payments to be missed. Payroll staff relies on calendar reminders to remind them to set up journal entries to provide to the treasury department, who then sets up the payment to MNUI. Also, bills or notices are received through physical mail, which either goes to the wrong department or doesn't reach payroll staff promptly. This was the case for quarters 2 and 3 of 2022. At that time, payroll did not have access to MNUI's portal/website and relied on the mailed bill though eventually they did get access. The bills for these quarters went to HR instead of Payroll despite being addressed to the Manager of Payroll. After this incident Payroll did get access to MNUI's portal/website.

Finally, for Q1 of 2023's bill, the payment got held up in an expense account. Originally, the payment date was several weeks after the due date of May 31, 2023. Payroll staff tracked down the payment and showed that payment was issued on June 1, 2023, one-day late. MNUI subsequently corrected this in their system. Payroll staff were under the impression that the current practice was to hold off creating journal entries and submitting payment until as late as possible to maximize cash-on-hand and the respective interest, which may have contributed to this payment being issued late. However, Audit could not find where this practice was documented.

The risk to the Council in delaying payments or not paying its quarterly bill in full is that it may continue to incur interest and late fees. The Council accumulated and paid approximately \$4,400 in interest and late fees for the five quarters reviewed.

Recommendation:

1. Finance staff should implement a process to support on time payments. This should be documented.

² Minn. Stat. § 268.052, subd. 1: Reimbursements in the amount of unemployment benefits charged to the reimbursable account during a calendar quarter must be received by the department on or before the last day of the month following the month that the notice of unemployment benefits paid is sent under section 268.047, subdivision 5. Past due reimbursements are subject to the same interest charges and collection procedures that apply to past due taxes.

Management Response:

Management agrees with this observation. The process of paying the MNUI invoice should follow the following process:

- Invoice from MNUI should be sent to the HR department.
- HR department will open, note division of employee, redact the SSN column on the invoice, sign, and date. Email to METCAP@metc.com (Time: no more than then 5 business days)
- AP staff will send to the GL team – Larry Phillips (Time: no more than 1 business day)
- GL team will code, sign, and send back to METCAP@metc.com (Time: no more than then 5 business days)
- AP team will make payment on invoice. (Time: within the 30-day payment period)
- If between HR and OGC they question a claim, it would be adjusted by MNUI on a future invoice.

Timetable: 2023 4th Quarter MNUI Invoice

Staff Responsible: HR Staff Brenda McCoy; General Ledger Staff Larry Phillips, AP staff Lynne Lindholm

Audit Follow-Up: Retest timeliness of payments. Q2/Q3 2024.

HR is not retaining required unemployment claims or appeals documentation.

During testing, Audit found that HR staff do not retain documentation regarding unemployment claims or appeals. However, the Office of General Counsel is retaining documentation regarding appeals. According to HR’s retention schedule, HR should retain documentation related to unemployment claims for six months and unemployment hearing files for three years after the claim resolution. Based on conversations with HR staff, staff stated they were unaware of the document retention requirement.

HR staff are not in compliance with their retention schedule and corresponding agreement with the Minnesota State Disposition Panel. The Panel is composed of the Attorney General, the Legislative Auditor, the State Auditor, and the Director of the Minnesota Historical Society. Per Minnesota Statute 138.17, this Panel directs the storage and disposition of the state’s government records.³ Without this information the Council may not be able to fulfill a data request, which could result in legal action by the State.

Recommendations:

1. HR should determine what unemployment documentation to keep, where to keep them and then adhere to their retention schedule.

³ “Records Disposition Panel”, <https://www.mnhs.org/preservation/state-archives/records-panel>: “M.S. 138.17 establishes the Records Disposition Panel to direct the storage and disposition of the state's government records. The Panel, which was created in 1947, fulfills this directive through the review of proposed records retention schedules and one-time applications for the authority to dispose of records (commonly known as the PR-1 form).”

Management Response: HR agrees with the recommendation outlined above. We will determine what documents to save and where to save them. HR will adhere to the HR Retention Schedule recently established on 06/30/2023.

HR has reached out to MN Unemployment Insurance Claims (MNUI) department and was told that all claims' data and information is stored on their website. MNUI explained to HR staff how data could be accessed using a custom search functionality.

In addition to the MNUI website, HR staff will create a secured, shared area to save unemployment claims documentation (Teams site, SharePoint list/library, or on the N:\ drive).

Also, HR has also updated the following documents:

- SOP – How to Complete a MN Unemployment Claim (to include verbiage on how to access claim forms and information on the MNUI web site.
- Unemployment Claim Log – to include a “due date” column.

HR Retention Schedule - prior to this year, there wasn't any mention of unemployment claims within the HR Retention schedule. HR signed off on an updated HR Retention schedule on February 23, 2023, that included the first-time entries regarding unemployment claims. However, it took additional months to obtain the necessary signatures from other state officials (MN Historical Society, State Auditor, and the Attorney General). Therefore, the official effective date of the updated HR Retention schedule is 06/06/2023. HR was notified on June 30th of this year indicating that the updated retention schedule was approved, published, and now in use. As the audit period was August 1, 2022, through July 30, 2023, we would like to note that we were only out of compliance for one month (July).

Timetable: HR staff will create a secured, safe area to store unemployment claims documents within Q4 2023.

Staff Responsible: The following HR staff are responsible:

Name	Title
Todd Rowley	Director, Talent Management
Joyce Masar	Senior HR Manager
Nancy Jennings	HR Manager
Brenda McCoy	HR Assistant

Audit Follow-Up: Retest a sample of claims to ensure documentation is being retained. Q2/Q3 2024.

2. HR staff should be trained/retrained on the retention schedule for UI documents.

Management Response: HR agrees with the recommendation and will train HR staff regarding the recently published (06/30/2023) HR Retention schedule that included UI Claims information for the first time.

Timetable: This training has already been completed. Appropriate HR staff have been trained on the new HR Retention Schedule entries regarding Unemployment Claims.

Staff Responsible: The following HR staff are responsible:

Name	Title
Todd Rowley	Director, Talent Management
Joyce Masar	Senior HR Manager
Nancy Jennings	HR Manager
Brenda McCoy	HR Assistant

Audit Follow-Up: Confirm training has been completed. Q4 2023.

It is unclear when the Council responds to MNUI, and the Council does not appeal decisions.

Audit could not determine when or if the Council’s HR Department responded to the unemployment insurance claims sampled. The Council’s HR department staff are responsible for responding to UI claims, whether by responding to a request for information, raising an issue, or appealing a determination. MNUI allows employers to raise an issue within 10 days of the date of the mailed determination or notification of benefit account. Additionally, employers can appeal a determination within 20 days of the mail date of the determination. Although employers can appeal claims, the Council does not appeal MNUI decisions.

The MNUI portal does not provide information on when or if the Council responded or provided information to claims and appeals. However, Audit was able to determine when the Council responded and provided information to MNUI regarding appeals made by the applicant, as the OGC retained this information.

While the exact dates for HR responses to claims could not be determined or even if HR did respond at all, based on the information and decisions made by MNUI it is believed that the Council is responding to requests for information. HR staff have a tracking spreadsheet that notes actions taken and when they occurred. However, even with the tracking spreadsheet, it is not always clear whether the HR responded to claims and if their response was timely. To verify the accuracy of the tracking spreadsheet, ten claims were selected from MNUI’s website and verified to be on HR’s tracking spreadsheet.

Without knowing when the Council responded to claims, Audit was unable to determine if HR staff responded promptly. Therefore, there is the possibility that HR staff are not responding to claims by the required due dates, which may result in the Council paying unemployment benefits, which it shouldn’t. Similarly, by not giving the OGC the option to review determinations made by MNUI and subsequently appealing them, the Council may be paying for unemployment benefits, which it shouldn’t.

Recommendation:

1. HR and OGC should review the option to appeal determinations made by MNUI. If the decision is made to appeal MNUI decisions again, then the process should be revised to inform OGC on MNUI determinations, or HR should be given guidelines from OGC on when to appeal a determination and then inform OGC. This process should be documented.

Management Response: HR and OGC agree with the recommendation and the Chief Human Resources Officer will meet with the Regional Administrator and decide to appeal MNUI decisions or

not. If so, HR and OGC representatives will partner to develop and implement guidelines that will indicate roles and responsibilities for both departments.

Timetable: By the end of Q4 2023, the following tasks will be completed:

1. The Regional Administrator and Chief Human Resources Officer will decide on whether to appeal MNUI decisions.
2. If the decision is to appeal MNUI claims, HR and OGC will collaborate to develop and implement guidelines.

Staff Responsible: The following RA, HR, and OGC staff have been identified:

Name	Title	Activity
Phil Walljasper	Regional Administrator (Interim)	Determine to appeal MNUI claims (or not)
Cassandra Tabor	Chief Human Resources Officer	Determine to appeal MNUI claims (or not)
Margaret Jacot	Associate General Counsel	Collaborate to develop and implement Appeal Guidelines
Nancy Jennings	Human Resources Manager	Collaborate to develop and implement Appeal Guidelines

Audit Follow-Up: Confirm a decision has been made. If the decision is to appeal MNUI determinations, then confirm guidelines have been established. Q1 2024.

2. HR should note the date of their responses and when information is provided to MNUI.

Management Response: HR agrees with this recommendation and will add this information to the MNUI Claims Log.

Timetable: HR has already added this information to the MNUI Claims log.

Staff Responsible: Responsible HR staff are:

Name	Title
Nancy Jennings	HR Manager
Brenda McCoy	HR Assistant

Audit Follow-Up: Review tracker to determine if dates are included. Q4 2023.

Conclusions

HR staff have raised issues regarding applicants to prevent benefit payments to those not eligible. However, for the claims reviewed, it could not be determined if HR staff responded to benefit activity promptly. Additionally, OGC staff regularly responded to appeals and attended hearings, however, the Council does not appeal MNUI decisions and should review the option to appeal, as there is potential to prevent the Council from paying for UI benefits when it shouldn't. Next, HR staff were not aware of their document retention schedule and failed to retain required UI claims documentation. Finally, between manual processes and missing a bill, the Payroll Department paid the quarterly UI bill late for most of the quarters reviewed.

By implementing additional or better controls, adhering to the defined retention schedule, and reviewing the decision not to appeal decisions, the Council can mitigate the risks related to paying for benefits that they shouldn't, late fees and interest, and potential legal action.



October 9, 2023
Matthew J. LaTour, Director Program Evaluation & Audit
Chief Audit Executive

Appendix A

Program Evaluation and Audit recommendations are categorized according to how Audit will follow-up on them. The categories are:

- **Retest** — Audit will retest the area using the same or similar procedures after a recommendation has been implemented and sufficient time has passed for the changes to take effect. The retest will take place on a specified timetable. The recommendation will be closed once the change has occurred. A new audit project will be opened for retesting and any new findings will include new recommendations.
- **Confirmation** — Audit will confirm that an adequate risk response has been completed on the agreed upon timeline. The recommendation will be closed once the change has taken place.
- **Assess Risk** — Audit will not plan for specific follow up to these recommendations. Audit will discuss the area as part of its annual risk assessment activities and consider future audit work in the area.

Distribution List

All audit reports are reported to the general public and are available on www.metrocouncil.org. This audit report was distributed to the following parties:

- Members of the Audit Committee
- Regional Administrator
- General Counsel
- Chief HR Officer
- Chief Financial Officer
- Talent Management and LOD Director
- Payroll Manager



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