

Performance Audit

Arizona Department of Economic Security Unemployment Insurance Program

Department provided inconsistent customer service to some UI claimants and has not analyzed UI Program data to identify potential access barriers or systemic discrimination, potentially causing claimant hardships and frustration and impacting its ability to implement UI Program improvements



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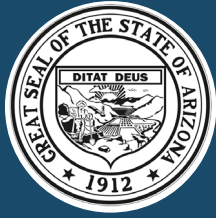
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June 9, 2025

Members of the Arizona Legislature

The Honorable Katie Hobbs, Governor

Director Wisehart
Arizona Department of Economic Security

Transmitted herewith is a report of the Auditor General, *A Performance Audit of the Arizona Department of Economic Security—Unemployment Insurance Program*. This report is in response to a November 21, 2022, resolution of the Joint Legislative Audit Committee. The performance audit was conducted as part of the sunset review process prescribed in Arizona Revised Statutes §41-2951 et seq. I am also transmitting within this report a copy of the Report Highlights to provide a quick summary for your convenience.

As outlined in its response, the Department agrees with all the findings and plans to implement or implement in a different manner all the recommendations. My Office will follow up with the Department in 6 months to assess its progress in implementing the recommendations. I express my appreciation to Director Wisehart and Department staff for their cooperation and assistance throughout the audit.

My staff and I will be pleased to discuss or clarify items in the report.

Sincerely,

Lindsey A. Perry

Lindsey A. Perry, CPA, CFE
Auditor General

Arizona Department of Economic Security Unemployment Insurance Program

Department provided inconsistent customer service to some UI claimants and has not analyzed UI Program data to identify potential access barriers or systemic discrimination, potentially causing claimant hardships and frustration and impacting its ability to implement UI Program improvements

Audit purpose

To determine whether the Department provided timely and accurate customer service for accessing its UI Program in calendar year 2023 and whether the Department complied with federal regulation and recommendations for identifying and addressing potential systemic discrimination and access barriers related to the UI Program.¹

Key findings

The Department:

- ▶ Is responsible for providing UI Program customer service to the public through call centers and its website and has planned or initiated various UI Program modernization efforts to help improve customer service, including developing a new UI Program IT system.
- ▶ Provided some UI claimants with accurate and quality phone customer service in calendar year 2023 but provided other claimants with poor-quality customer service and inaccurate information, and some claimants experienced long wait times to reach Department call center staff, potentially causing claimant hardships and frustration.
- ▶ Has not analyzed UI Program data for potential systemic discrimination as required by federal regulation and delayed a required UI Program assessment that could help it comply with the regulation by identifying and addressing UI Program access barriers. As such, this impacts the Department's ability to implement improvements and increases its risk of poor IT system project outcomes.

Key recommendations to the Department

- ▶ Develop and/or revise and implement customer service policies, procedures, and staff training.
- ▶ Continue to monitor customer service provided by staff, review and analyze UI Program customer service performance metrics, and correct identified deficiencies.
- ▶ Conduct the required assessment of the UI Program and incorporate corrective actions to address any identified deficiencies into UI Program modernization efforts.

¹ The Arizona Auditor General conducted this performance audit of the Department pursuant to a November 21, 2022, resolution of the Joint Legislative Audit Committee. This audit was conducted as part of the sunset review process prescribed in A.R.S. §41-2951 et seq.

INTRODUCTION

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- ▶ DOL oversees a nation-wide unemployment insurance system administered by state UI agencies to provide temporary financial assistance to eligible individuals
- ▶ Department responsible for operating Arizona's UI Program, including assessing eligibility of initial and weekly UI claims, investigating and adjudicating eligibility issues, timely issuing UI benefits to eligible claimants, and identifying benefit overpayments
- ▶ Department responsible for providing various methods and customer service for accessing UI Program information and services, consistent with federal requirements and guidance
- ▶ Issues with states' UI program customer service quality have resulted in federal recommendations to improve UI benefits delivery through high-quality customer service and modernizing outdated UI information technology systems
- ▶ Department has undertaken, planned, or initiated various UI Program modernization efforts with \$16.83 million in awarded federal grant monies
- ▶ UI Program organization and staffing
- ▶ UI Program revenues and expenditures

FINDING 1

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Department provided quality customer service to some UI claimants, but service quality, accuracy, and timeliness problems exist, potentially causing claimant hardships and frustration and increasing staff workload

- ▶ Department responsible for providing customer service to claimants who inquire about general UI Program information, claim and benefit eligibility issues, overpayments, and other questions and concerns
- ▶ Department provided some UI claimants with quality phone customer service, but customer service quality problems exist, including inaccurate and potentially misleading information provided, most calls not answered, and long call wait times
- ▶ Ineffective customer service may hinder claimants' access to UI Program benefits, resulting in financial hardships and frustration for claimants and additional workload for Department staff

- ▶ Several factors contributed to claimants receiving poor-quality, untimely, and inaccurate or inconsistent customer service and information, including Department's lack of procedures for monitoring call quality and other key customer service requirements, inconsistent staff training, high call volumes, and lack of call-routing system functionality

Recommendations to the Department for providing consistent, accurate, quality, and timely customer service

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Inconsistent with federal regulation and recommendations, Department has not analyzed UI Program data and information to identify potential access barriers and discrimination, impacting its ability to implement UI Program improvements, including planned modernization, and increasing risks to claimants

- ▶ Department has not analyzed UI Program data to identify potential systemic discrimination as required by federal regulation because it was unaware of its responsibility to do so and has delayed conducting an assessment that could help it comply with the requirement and implement federal recommendations for analyzing data and information to identify and address UI Program access barriers
- ▶ Failure to analyze UI Program data for potential access barriers and systemic discrimination hinders the Department's ability to identify and correct potential deficiencies when developing its new UI Program IT system, increasing the risk of poor IT project outcomes and loss of federal grant monies, and perpetuating potential claimant confusion and harm we identified
- ▶ DOL has issued guidance that could help Department comply with federal data analysis requirements and implement federal recommendations for identifying and addressing UI Program access barriers

Recommendations to the Department

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- ▶ Question 1: How does the Department determine and notify claimants of their monetary eligibility and UI benefit award amount?
- ▶ Question 2: What can a claimant do if they disagree with the Department's determination of their monetary eligibility or UI benefit award amount?
- ▶ Question 3: What are eligibility issues, and what is the Department's process for resolving them?

- ▶ Question 4: What are overpayments, and how do they occur?
- ▶ Question 5: Can overpayments be waived?
- ▶ Question 6: How does the Department collect overpayment debts, and what does it do with monies collected?
- ▶ Question 7: What appeal rights do claimants or employers have if they disagree with an eligibility or overpayment determination?
- ▶ Question 8: How does the Department investigate the accuracy of UI claims that are paid and claims that are denied?
- ▶ Question 9: What are the Department’s processes to identify and prevent improper and/or fraudulent payments?
- ▶ Question 10: What are the Department’s processes for investigating allegations of fraud and referring individuals for prosecution?

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APPENDIX B

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Scope and methodology

AUDITOR GENERAL’S COMMENTS ON THE DEPARTMENT’S RESPONSE

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DEPARTMENT RESPONSE

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INTRODUCTION

The Arizona Auditor General has released the first in a series of audit reports of the Arizona Department of Economic Security (Department) as part of the Department's sunset review. This performance audit determined whether the Department provided timely and accurate customer service for accessing its Unemployment Insurance Program (UI Program) in calendar year 2023 and whether the Department complied with federal regulation and U.S. Department of Labor (DOL) recommendations for identifying and addressing potential systemic discrimination and barriers for accessing the UI Program. This report also provides information related to the UI Program, including information on claims processing and Department measures for assessing claim accuracy and detecting and preventing fraud.

DOL oversees a nation-wide unemployment insurance system administered by state UI agencies to provide temporary financial assistance to eligible individuals

DOL oversees a nation-wide federal-state UI program to provide unemployment benefits to eligible workers who are unemployed through no fault of their own and meet other eligibility requirements. Each U.S. state and several U.S. territories administers a UI program (state UI programs) and sets its own UI benefit eligibility requirements through state/territorial law (see textbox, page 2, for examples of Arizona's eligibility requirements).¹ However, all state UI programs must follow requirements and guidelines established in federal law under DOL's oversight and guidance.^{2,3} For example, federal law requires DOL to ensure that state/territorial laws include provisions that allow for full payment of UI benefits when they are due.⁴

In addition, the Coronavirus Aid, Relief, and Economic Security (CARES) Act established the federal pandemic unemployment assistance (PUA) program to provide temporary benefits administered by state UI agencies to individuals who lost work due to the coronavirus disease (COVID-19) pandemic, including those who were not eligible for or exhausted their UI program benefits. The PUA program expired on September 6, 2021.

¹ According to DOL, the nation-wide UI program consists of 53 state UI programs that are administered by the applicable agency (state UI agencies) in each of the 50 U.S. states and 3 U.S. territories—the District of Columbia, Puerto Rico, and the U.S. Virgin Islands.

² 42 United States Code (USC) 501 et seq and 26 USC 3301 et seq establish certain requirements for the unemployment insurance system, including broad provisions for the categories of workers who must be covered by the program, some benefit provisions, the federal taxable wage base and tax rate, and other administrative requirements. State laws establish the benefit and state tax structures, including provisions for eligibility and disqualification, benefit amounts, and the state taxable wage base and tax rates.

³ DOL maintains an advisory system consisting of UI program letters, notices, and technical assistance guides to disseminate program-specific information, direction, and guidance, including policy and interpretations of federal laws, to state UI agencies responsible for administering UI programs.

⁴ 42 USC 503.

Examples of Arizona's UI benefit eligibility requirements

Individuals in Arizona must meet several eligibility requirements to receive UI benefits, including:

- ▶ Being unemployed through no fault of their own.¹
- ▶ Earning a sufficient amount of wages prior to becoming unemployed.
- ▶ Being able and available to work.
- ▶ Actively seeking work.²

¹ Pursuant to Arizona Revised Statutes (A.R.S.) §23-621, individuals are considered unemployed through no fault of their own unless the loss of full-time work is directly attributable to the fault of the individual. For example, according to the Department's website, workers who are laid off for economic reasons, such as a workplace closing, a reduction-in-force, or lack of work, are considered unemployed through no fault of their own.

² According to A.R.S. §23-771(A), claimants must complete 4 work search contacts per benefit week on 4 different dates. Claimants are required to provide information about these 4 work search contacts in their weekly claim for UI benefits, such as the date of the contact, the employer or company name and address, and the action taken. According to the Department, it does not verify these work-search contacts prior to disbursing weekly UI benefits and reported that there are no State or federal requirements for doing so. The Department verifies work search contacts for a sample of paid UI claims during investigations it completes as required by DOL (see Questions and Answers, Question 8, pages 73 and 74, for more information about these investigations).

Source: Auditor General staff review of A.R.S. §§23-621 and 23-771.

Department responsible for operating Arizona's UI Program, including assessing eligibility of initial and weekly UI claims, investigating and adjudicating eligibility issues, timely issuing UI benefits to eligible claimants, and identifying benefit overpayments

The Department is responsible for operating Arizona's UI Program. This responsibility includes:

▶ Processing initial claims, including notifying employers

As shown in Figure 1, pages 6 and 7, upon losing employment, an individual may file an initial claim for UI benefits with the Department by completing an application online or submitting a paper form via U.S. mail, email, or fax.⁵ After verifying individuals' identities pursuant to Department procedures, the Department is statutorily responsible for notifying the individual's employer(s) of the filed claim and that the employer has 10 business days to protest the claim.⁶ When filing an initial claim, individuals are also statutorily required to register for employment services, which is done through the online Arizona Job Connection portal, a Department resource for helping individuals find reemployment.^{7,8}

⁵ According to the Department's fiscal year 2023 annual report, 89% of initial claims and approximately 96% of weekly claims were submitted online.

⁶ A.R.S. §23-772.

⁷ The Department, in partnership with Arizona@Work—the State-wide workforce development entity responsible for implementing provisions of the Workforce Innovation and Opportunity Act of 2014 (WIOA)—provides resources and services to individuals in the State seeking employment opportunities. Arizona@Work maintains offices across the State to provide various WIOA services and resources, including no-cost access to computers and telephones, which UI claimants may use to file claims, appeals, and other related documents, or to access the Department's call centers (see Appendix A, pages a-1 through a-3, for more information about Arizona@Work, including office locations across the State and its partnership with the Department to provide WIOA services).

⁸ A.R.S. §23-771.

▶ **Assessing claimants' eligibility to receive UI benefits**

The Department is responsible for assessing an individual's eligibility to receive UI benefits, which includes assessing an applicant against monetary and nonmonetary criteria and issuing an eligibility determination based on a claimant's monetary and nonmonetary eligibility (see textbox for key terms, and see Questions and Answers, Question 1, pages 58 and 59, for more information about how the Department determines monetary eligibility). If the Department finds that a claimant is ineligible to receive UI benefits, the claimant has 15 calendar days to appeal the Department's decision (see Questions and Answers, Question 7, pages 69 through 72, for additional information about claimants' appeal rights).

Key terms

Adjudication: A process for resolving UI benefit eligibility issues, including interviewing the claimant and/or the claimant's employer(s) to gather facts and information related to eligibility.

Determination: The Department's assessment of whether a claimant has met and continues to meet eligibility requirements to qualify for UI benefits. Specifically:

Monetary determination: A written determination of eligibility—also known as a wage statement—based on wages earned by the claimant in the base period, which reflects the maximum benefit amount, duration, and weekly benefit amount (see Questions and Answers, Question 1, pages 58 and 59, for additional information about base period).

Nonmonetary determination: A written determination of eligibility based on nonmonetary factors. Examples include the claimant's ability or availability to work and the reason they were separated from their job, such as quitting a job or being discharged for cause.

Issue: A situation or potential situation that may affect an individual's eligibility for UI benefits that requires adjudication to determine eligibility. Examples include a claimant stating they are unavailable for work; an employer protesting the claim based on the separation reason; or a claimant potentially receiving severance, vacation, holiday, or sick pay that exceeds the claimant's weekly benefit amount, which would make them ineligible to receive benefits.

Source: Auditor General staff review of Department's website.

▶ **Adjudicating benefit eligibility issues**

When determining if a claimant meets eligibility criteria, the Department may need to conduct investigations, such as interviewing the claimant and their former employer(s), to adjudicate issues impacting a claimant's eligibility and determine if a claimant is eligible for UI benefits (see textbox for key terms, and see Questions and Answers, Question 3, pages 60 and 61, for more information about eligibility issues). DOL requirements and Department policy require the UI Program to adjudicate initial claim eligibility issues within 21 days from the date that the Department detected the eligibility issue.

► **Paying UI benefits to eligible individuals**

After the Department determines that a claimant is eligible to receive UI benefits, the claimant must serve a 1-week waiting period before receiving their first UI benefit payment. When claimants file their initial application for UI benefits, they can elect to receive benefits via direct deposit or on an electronic payment card. As of January 2025, UI benefits in the State generally ranged between \$229 and \$320 per week for up to 24 or 26 weeks, with maximum benefits ranging from \$5,496 to \$8,320 depending on the claimant's earnings prior to becoming unemployed.^{9,10}

► **Assessing claimants' continued UI benefit eligibility**

The Department requires claimants to file weekly claims, certifying their continued eligibility to receive their weekly UI benefit payment amount until they either regain employment, receive their maximum UI benefit amount, or reach the maximum number of weeks they can receive UI benefits.¹¹ Throughout the claim, as the Department assesses a claimant's continued eligibility to receive UI benefits, the Department may conduct additional investigations to resolve issues regarding a claimant's eligibility. Department policy requires the UI Program to adjudicate weekly claim eligibility issues no later than the Thursday of the week following the Department's detection of the eligibility issue.

► **Identifying and resolving benefit overpayments**

The Department is also responsible for determining if the UI Program has made any overpayments of UI benefits. Overpayments can occur when a claimant receives UI benefits but is not eligible to receive them, such as if a claimant regains employment but continues to file weekly claims, does not report their earnings, and receives UI benefits while employed.

There are 3 different types of overpayment classifications:

● **Administrative**

These overpayments occur through no fault of the claimant, such as by Department or employer error, and are the only type of overpayment that is eligible for a repayment waiver.

● **Nonfraud**

These overpayments occur because the claimant unintentionally provided incorrect or incomplete information to the Department.

⁹ According to A.R.S. §23-779, the weekly benefit amount is 4% of the wages the claimant earned in the highest quarter of their base period, with a maximum weekly benefit amount of \$320 (see Questions and Answers, Question 1, page 58, for more information about how the Department determines a claimant's base period). As of January 2025, the minimum weekly benefit amount is \$229 and maximum benefit amount is \$320. According to A.R.S. §23-779, if an eligible claimant earns wages while unemployed and earns more than \$160 for that week, the amount earned over \$160 will be subtracted from their weekly benefit amount.

¹⁰ According to A.R.S. §23-780, claimants can receive benefits for 24 weeks when the State-wide unemployment rate in the prior calendar quarter is below 5 percent or 26 weeks when the State-wide unemployment rate in the prior calendar quarter is 5 percent or more. However, a claimant may not receive more than one-third of their base period earnings, which could impact the number of weeks a claimant is eligible to receive benefits (see Figure 2, page 59, for an example of how eligibility calculations are determined).

¹¹ Similar to an initial claim for UI benefits, claimants can file weekly claims online or by submitting a paper form via U.S. mail, email, or fax to the Department.

- **Fraud**

These overpayments occur because the claimant knowingly misrepresented information or concealed material facts to obtain UI benefits to which they were not lawfully entitled.

Claimants are liable for repaying overpayments; however, the Department may waive repayment of administrative overpayments (see Questions and Answers, Questions 4 through 6, pages 61 through 69, for more information about overpayments, waivers, and overpayment collections).¹²

- ▶ **Administering the State’s Unemployment Compensation Fund**

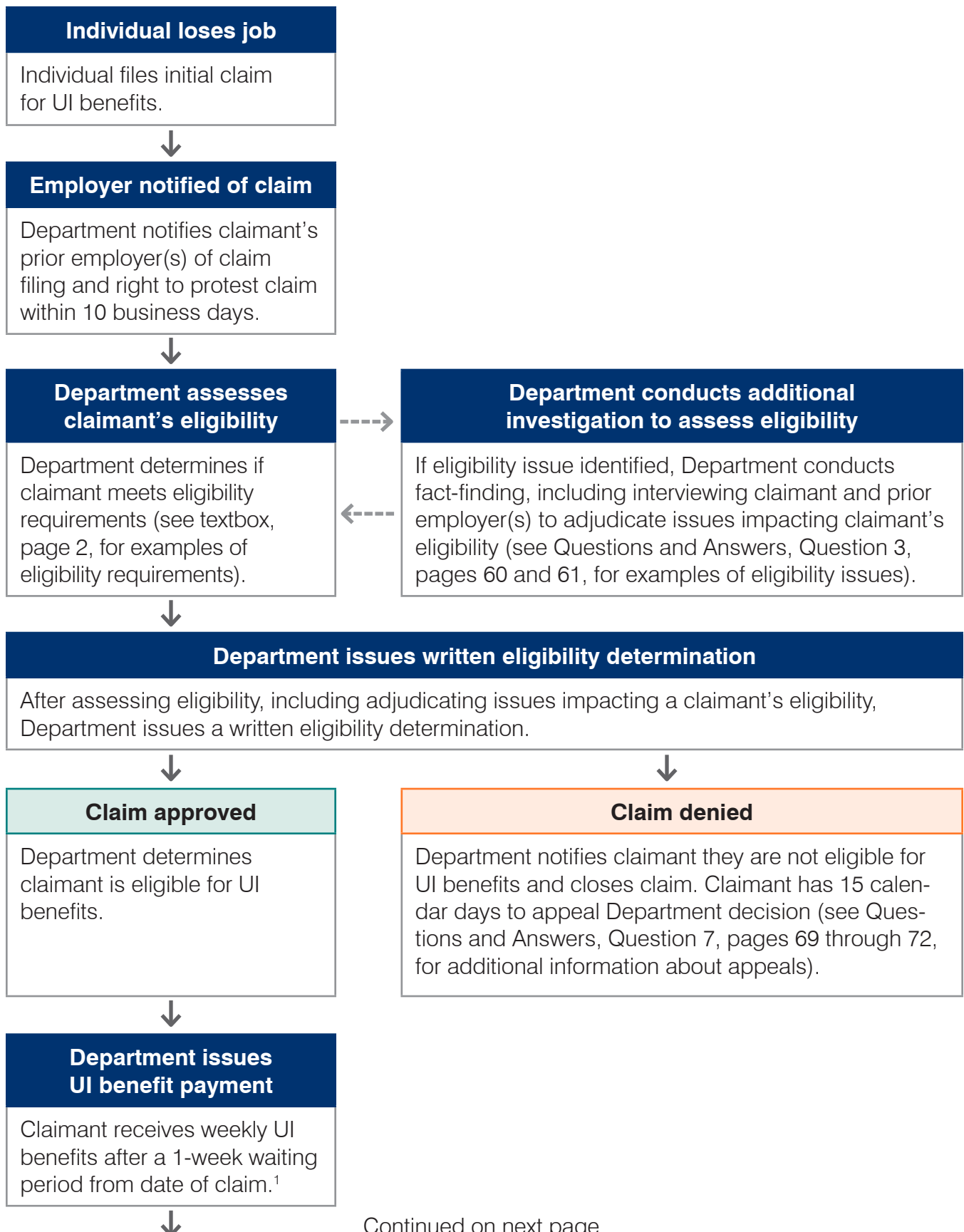
In Arizona, UI benefits are generally paid from the State’s Unemployment Compensation Fund, which consists of monies employers pay through State UI tax payments. Specifically, employers are liable to pay State UI taxes, and the Department uses State UI tax monies to pay UI benefits to eligible individuals.¹³ Arizona employers contributed between \$377.4 million and \$553.4 million annually to the Unemployment Compensation Fund between calendar years 2017 and 2023 (see Table 1, pages 17 and 18, for information about the Unemployment Compensation Fund’s revenues, expenditures, and fund balance).

¹² Nonadministrative overpayments, such as nonfraud and fraud overpayments, would need to be reclassified as administrative overpayments to be eligible for a repayment waiver, which can be done by filing an appeal of the determination (see Questions and Answers, Question 5, pages 65 and 66, for additional information about overpayment waivers and Question 7, pages 69 through 72, for additional information about appealing Department determinations).

¹³ Most Arizona employers pay State UI taxes, although some employers, such as nonprofit, government, tribal, and religious organization employers, do not pay State UI taxes and instead reimburse the Department for the cost of issuing UI benefits to their former employees.

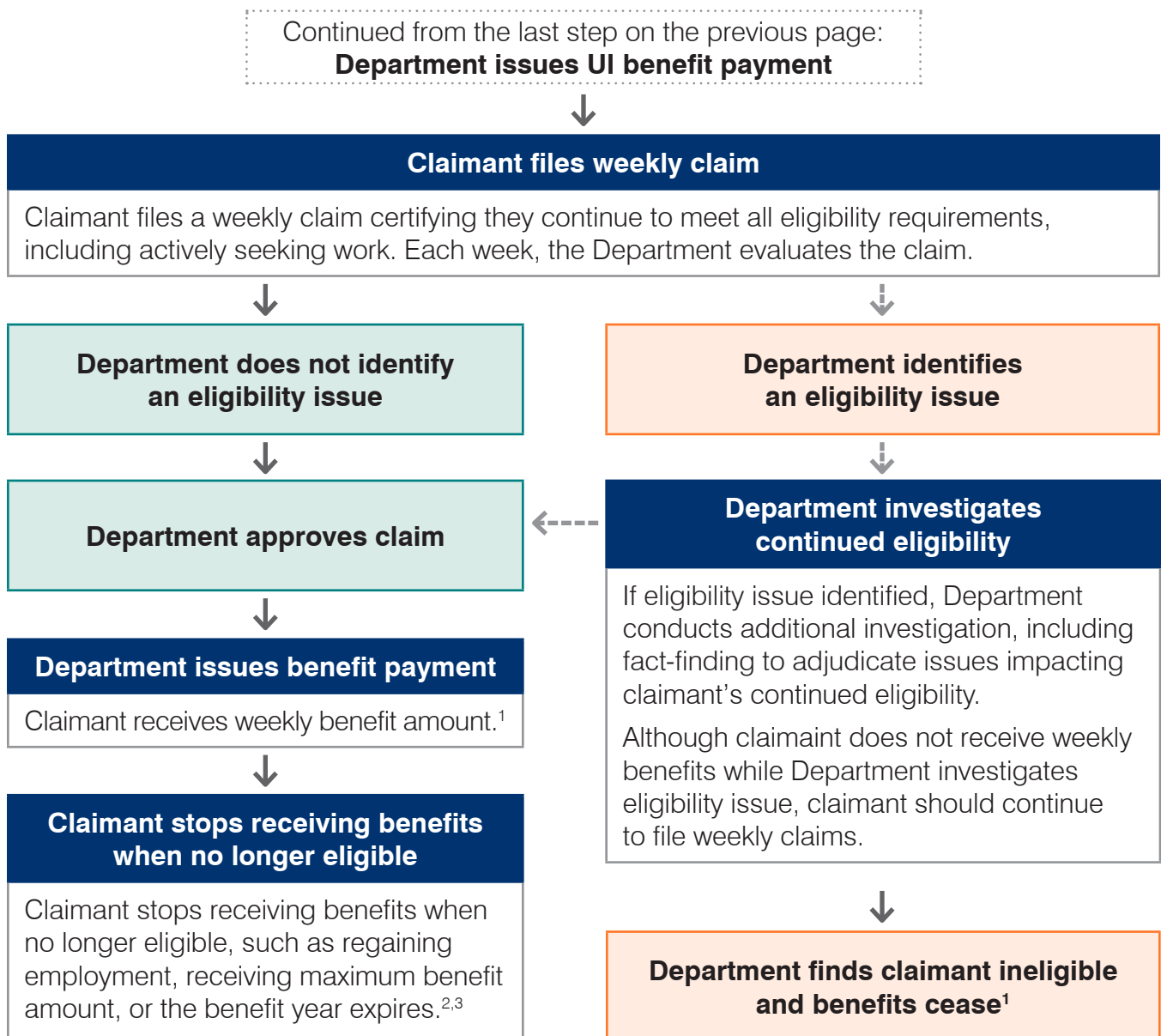
Figure 1

Department's UI claims process includes notifying employer, assessing eligibility, investigating and adjudicating eligibility issues, and paying UI benefits to eligible claimants



Continued on next page.

Figure 1 continued



¹ If the Department later determines that the claimant was not eligible for the UI benefits received, this could result in the Department establishing an overpayment (see Questions and Answers, Question 4, pages 61 through 65, for additional information about overpayments).

² A claimant's benefit year is the 1-year period that begins the Sunday of the week they submit their initial claim for UI benefits. During this period, a claimant may file weekly claims for and receive UI benefits, provided that the claimant continues to meet all eligibility requirements.

³ If a claimant stops filing weekly claims for more than 2 consecutive weeks during their benefit year, their benefits will cease. However, the claimant may reopen their claim and if the Department determines they are eligible, benefits will resume. If a claimant stops filing because they regained employment and subsequently become unemployed due to no fault of their own during the same benefit year, the claimant may file an additional claim.

Source: Auditor General staff review of A.R.S. §§23-609, 23-771, 23-772, 23-773, and 23-780; and Department policy, documentation, and website.

Department responsible for providing various methods and customer service for accessing UI Program information and services, consistent with federal requirements and guidance

In accordance with various federal laws, regulations, and guidance, state UI agencies, including the Department, are required to provide members of the public with access to their state UI programs and their benefits (see textbox for DOL's definition of UI program access).

Specifically, as a condition for states to receive federal monies for administering a state UI program, federal law requires states to have methods for reasonably calculating and ensuring full payment of UI benefits to eligible claimants “when due.”^{14,15} To comply with this provision, DOL indicates that state UI agencies are responsible for providing access to the UI program to ensure that all individuals have the opportunity to be informed of and take appropriate action(s) to apply for benefits, maintain their eligibility for benefits, and access services without undue burdens or barriers so that eligibility can be determined and benefit payments can be made promptly.¹⁶

UI program access definition

An individual's ability to complete, submit, and obtain information about their initial and weekly claims, adjudication, appeals, reemployment services, improper payments such as underpayments and overpayments, overpayment waivers, and any other information, program functions, or program services available for all claimants.

Source: Auditor General staff review of U.S. Department of Labor (U.S. DOL). (2023). *Equitable access in the Unemployment Insurance program*. (Unemployment Insurance Program Letter No. 01-24). Retrieved 4/1/2024 from <https://www.dol.gov/agencies/eta/advisories/uipl-01-24>

DOL also indicates that to comply with the “when due” provision in federal law, as well as various nondiscrimination requirements in federal law and regulation, state UI agencies are required to provide various methods for accessing the UI program, such as telephone and/or in-person options in addition to technology-based methods, to ensure that information technology (IT) systems used for administering UI programs and services do not create barriers that may prevent individuals from accessing UI benefits.^{17,18} Additionally, DOL guidance indicates that meeting federal requirements for providing access to the UI program also requires state UI agencies to focus on improving the overall claimant experience and customer service.

¹⁴ According to DOL, in addition to ensuring that eligible claimants are paid UI benefits promptly when determined eligible, states must also have methods for protecting against improper payments and fraud and ensuring they do not pay UI benefits to ineligible claimants.

¹⁵ 42 USC 503.

¹⁶ U.S. DOL, 2023.

¹⁷ U.S. DOL, 2023.

¹⁸ Federal nondiscrimination laws and regulations govern accessibility requirements for various protected groups, such as individuals with disabilities or older individuals. Additionally, DOL indicates that access to the UI program pertains to all individuals, regardless of their background, such as individuals with low literacy levels or individuals living in rural areas that may not have access to technology, such as computers or broadband internet, even though these individuals are not necessarily in a protected group.

Issues with states' UI program customer service quality have resulted in federal recommendations to improve UI benefits delivery through high-quality customer service and modernizing outdated UI information technology systems

Federal entities, including DOL and the U.S. Government Accountability Office (GAO), have indicated that nation-wide, UI program customer service has historically been a concern and a critical weakness, which has resulted in an overall federal emphasis to transform the UI system, including by focusing efforts on delivering high-quality customer service and modernizing outdated UI IT systems.

Specifically:

▶ GAO has issued several reports since 2016 on states' UI program customer service challenges, resulting in federal recommendations from GAO and DOL for customer service improvement

Since 2016, GAO has reported on a variety of customer service challenges that claimants reported experiencing when accessing state UI programs and services, including during the 2007-2009 recession and the COVID-19 pandemic.¹⁹ According to GAO, claimants in its focus groups consistently reported that the customer service challenges they experienced included long phone call wait times and difficulties accessing their state UI programs and services, such as difficulties reaching knowledgeable staff to help or accessing translated materials and translation services for non-English speaking individuals.²⁰

In June 2022, GAO issued 2 reports highlighting a variety of persistent problems in the UI system nation-wide that it reported were exposed and exacerbated during the COVID-19 pandemic, including customer service challenges. In its first report, GAO recommended that DOL develop recommended practices for states' use to improve customer service for and access to their UI programs.²¹ DOL developed the recommended practices and resources in response to GAO's recommendation.²² Additionally, in its second report, GAO indicated that the persistent customer service challenges it had reported on in state UI programs both prior to and during the COVID-19 pandemic further highlighted the need for substantial changes to the UI system to address long-standing problems or risks

¹⁹ U.S. Government Accountability Office (U.S. GAO). (2016). *Unemployment Insurance: States' customer service challenges and DOL's related assistance*. Retrieved 7/31/2024 from <https://www.gao.gov/products/gao-16-430>; U.S. Government Accountability Office (U.S. GAO). (2022a). *Unemployment Insurance: Pandemic programs posed challenges, and DOL could better address customer service and emergency planning*. Retrieved 7/31/2024 from <https://www.gao.gov/assets/d22104251.pdf>; U.S. Government Accountability Office (U.S. GAO). (2022b). *Unemployment Insurance: Transformation needed to address program design, infrastructure, and integrity risks*. Retrieved 7/31/2024 from <https://www.gao.gov/products/gao-22-105162>

²⁰ U.S. GAO, 2016.

²¹ U.S. GAO, 2022a.

²² DOL developed a website to provide state UI agencies with information on improving their UI program customer service and IT systems. The website includes various articles and resources with recommended practices and guidance on how states can improve customer experiences in their UI programs, such as key customer experience principles; recommendations for improving online UI applications, including application questions, instructions, and format; recommendations for approaching/improving mobile device usability; and recommendations for directly observing UI claimants through research methods, such as usability testing, to improve UI benefits delivery, among others. See Finding 2, pages 52 through 54, for additional information about DOL guidance and resources.

and improve UI benefits delivery nation-wide.²³ Consequently, GAO recommended that DOL develop and execute an improvement plan with coordinated and sustained efforts to address persistent problems related to providing access to UI program services and benefits and mitigating financial risk, as the pandemic exacerbated many long-standing problems that it had previously reported on—including issues with customer service and timely and accurately processing UI benefits—which hindered the UI program's ability to fulfill its intended purpose and exposed it to potentially significant financial losses.²⁴

DOL has since indicated that GAO's reporting on these issues aligned with its own perspective that customer service and UI program access could be improved and in November 2023, disseminated additional guidance and recommendations to states for doing so.²⁵

► **Outdated IT systems affect states' ability to meet the needs of unemployed workers, including timely and efficiently processing UI claims, highlighting need for modernization**

According to GAO, state UI agencies rely extensively on IT systems to carry out UI program functions, including eligibility determinations, recording claimant filing information, and calculating UI benefit amounts.²⁶ However, prior to and during the COVID-19 pandemic, GAO reported that many states relied on antiquated, or legacy IT systems that were developed in the 1970s and 1980s and typically ran on outdated software, which limited states' ability to timely and efficiently process UI claims and serve claimants, especially when state UI programs experienced surges in UI claims.^{27,28} For example, in 2016, officials in 1 state that GAO visited explained that their outdated system continued to present challenges because UI program staff had to check multiple systems for information on UI claims, which could lead to errors in processing UI claims.

Further, during and after the COVID-19 pandemic, GAO and others, such as DOL and DOL's Office of Inspector General, reported on the risks and challenges that outdated IT systems pose for state UI programs, which have led to reduced program efficiency and effectiveness, including:^{29,30}

- Inefficient IT system performance when processing high volumes of UI claims, especially during economic downturns, such as the COVID-19 pandemic.

²³ U.S. GAO, 2022b.

²⁴ As of January 2025, GAO indicated that in April 2024, DOL had partially addressed its recommendation to develop and execute an improvement plan by issuing a comprehensive plan for the nation-wide UI program, outlining action areas and strategies in a variety of areas including delivering high-quality customer service, ensuring access to UI program benefits and services, and building resilient and responsive state IT systems. GAO indicated that it would close this recommendation once DOL fully executes the improvement plan by working with states to complete the outlined actions within the plan.

²⁵ U.S. DOL, 2023.

²⁶ U.S. GAO, 2022b.

²⁷ U.S. GAO, 2022b.

²⁸ As of December 2021, GAO reported that according to the National Association of State Workforce Agencies, 32 of the 53 state UI programs, including Arizona's, were still using legacy IT systems to support their UI benefits system, tax system, or both.

²⁹ U.S. GAO, 2022b.

³⁰ U.S. Department of Labor - Office of Inspector General (U.S. DOL). (2021). *COVID-19: States struggled to implement Cares Act Unemployment Insurance programs*. Retrieved 2/7/2025 from <https://www.oversight.gov/reports/audit/covid-19-states-struggled-implement-cares-act-unemployment-insurance-programs>

- Slower processing of UI claims and benefit payments.
- Inability to detect and recover improper payments, including fraudulent payments.

Department has undertaken, planned, or initiated various UI Program modernization efforts with \$16.83 million in awarded federal grant monies

Pursuant to GAO’s recommendation for developing and executing an improvement plan, DOL indicated that developing resilient and responsive IT systems is a critical aspect of transforming the UI program to improve UI benefits delivery, including ensuring timely UI benefit payments, promoting access to UI program benefits and services, and enhancing protection against fraud.³¹ As such, DOL has provided some grant monies and assistance to state UI programs, including resources, recommended practices, and guidance to assist states with UI modernization efforts. Specifically, DOL received \$1 billion through the American Rescue Plan Act of 2021 (ARPA) to help improve and modernize the UI program nation-wide by focusing on 3 goals: (1) detecting and preventing fraud, (2) promoting UI program access, and (3) ensuring timely payment of UI benefits.³² Pursuant to the allowable uses of these monies, DOL provided a variety of grants to states or territories administering UI programs for such purposes and as of September 2023, reported awarding \$783 million to state UI programs.

Examples of these grants include:

► Equity grant

In August 2021, DOL notified states of its Equity grant to support activities for promoting UI program access. According to DOL, some examples of such activities could include improving claimant communications by using “plain language” in UI program materials; measuring UI benefits delivery and claimant experience to establish metrics for identifying groups that may be experiencing access barriers to the UI program and benefits; and expanding and improving collection of claimant demographic data to assess progress in improving UI program access.

► Tiger Team grant

In November 2021, DOL notified states of its Tiger Team grant intended to help state UI programs implement DOL recommendations to support the 3 ARPA goals previously discussed. As part of this grant program, DOL provided some state UI programs with a team of experts to assess their UI programs—including UI infrastructure, claims and payment processes, and IT capabilities—and identify recommendations to address states’ immediate needs and challenges identified through the assessment. According to DOL, some recommendation examples could include workflow adjustments, process improvements, technology updates, or communication revisions.

As of January 2025, DOL had awarded the Department a total of approximately \$16.83 million in ARPA grant monies, including \$6.84 million for the Equity grant and approximately \$3.7

³¹ U.S. Department of Labor (U.S. DOL). (2024). *Building resilience: A plan for transforming Unemployment Insurance*. Retrieved 8/5/2024 from https://oui.dol.gov/unemploy/transformation_plan.asp

³² ARPA initially provided DOL with \$2 billion; however, the Fiscal Responsibility Act of 2023 reduced this amount to \$1 billion.

million for the Tiger Team grant, and the Department has planned, undertaken, or is in process of implementing several UI Program modernization initiatives resulting from these grants, including:³³

► **Developing a new UI Program IT system**

As part of the Equity grant award the Department received in August 2022, it is responsible for and in the process of replacing its outdated IT systems used for administering the UI Program and developing a new IT system to improve service to claimants and streamline operations. At the time that the Department applied for the Equity grant award, the Department's technological infrastructure for administering the UI Program consisted of legacy IT systems and programming language more than 30 years old, which according to Department documentation, has been a major contributor to significant disruptions in services to claimants and employers, especially during economic downturns such as the COVID-19 pandemic.

In December 2022, the Department began working with a contractor to develop and implement its new UI Program IT system. According to the Department's IT project documentation, plans for the new UI Program IT system include developing new functionalities for claimants, including an online portal through which individuals will be able to file UI claims and submit documentation to the Department. The plans also include developing new functionalities for Department staff to receive and process initial and weekly UI claims; determine claimants' eligibility for UI benefits, including adjudication; issuing and accounting for UI benefit payments, including overpayments; and supporting call center functions, such as handling claimant inquiries and making updates related to claimant accounts. As part of its efforts for developing the new UI Program IT system, the Department also plans to update language on and translate various claimant communication notices and UI Program webpages into the top 5 languages spoken in Arizona and provide claimants with the ability to use mobile devices to file UI claims, view information such as claim status, and submit documents.

The Department initially planned to implement its new UI Program IT system in October 2024; however, the Department did not meet its planned implementation date and revised its planned implementation date to September 2025 (see Finding 2, pages 46 and 47, for more information about the Department's modernization efforts through the Equity grant award it received).³⁴

► **Performing an assessment of the UI Program to identify existing access barriers or potential discrimination**

As part of the Equity grant award it received, the Department was awarded \$400,000 to perform an assessment of the UI Program to identify existing access barriers or potential discrimination and ensure that any identified deficiencies are resolved through its UI Program modernization efforts, including incorporating corrective actions into the

³³ The remaining monies DOL awarded to the Department were intended to support program integrity and fraud detection, including fraud prevention and overpayment recovery activities.

³⁴ In March 2025, the Department received approval from DOL to extend the deadline for completing the UI Program modernization initiatives resulting from the Equity grant award it received to March 2026.

development of its new UI Program IT system.²⁸ See Finding 2, pages 46 and 47, for information about the Department not yet conducting the required UI Program assessment.

▶ **Enhancing the UI Program’s existing workload management system**

As part of the Tiger Team grant award it received, the Department began making changes to its workload management system in early 2023 in an attempt to work through a backlog of UI claims requiring adjudication and to help ensure more timely UI benefit payments. These changes included processes for reducing the amount of time that UI claims with active issues wait for adjudication by distributing issue-adjudication work evenly across staff and prioritizing adjudication based on claim age date and available staff, and reviewing the UI Program’s outstanding workload for adjudicating claims—including completion rates and claim age data—to better facilitate its workload analysis and subsequent allocation of staff.

▶ **Enhancing the UI Program’s UI call-routing system**

The UI Program operates a UI call center to provide information regarding benefit eligibility, status of claims, and adjudication for eligibility issues on active claims (see Finding 1, page 21, for more information about the UI call center). As part of the Tiger Team grant award it received, the Department began making changes to the UI Program’s call-routing system for the UI call center in January 2024 to help alleviate the impacts of and reduce caller wait times and improve its ability to assist more callers (see Finding 1, pages 40 through 42, for more information about the Department’s changes to its call-routing system).

UI Program organization and staffing

The Department’s Division of Employment and Rehabilitation Services administers the UI Program through its Unemployment Insurance Administration with assistance from other supporting units within the division, such as the Quality Assurance and Integrity Administration.

According to the Department, as of February 2025, the Unemployment Insurance Administration and Quality Assurance and Integrity Administration had a total of 403 full-time equivalent positions (FTEs) and 25 vacancies and had the following UI Program responsibilities:

▶ **Unemployment Insurance Administration (289 FTE, 18 vacancies)**

Responsible for administering the UI Program and is classified into the following units:

● **Benefits staff (196 FTE, 1 vacancy)**

Responsible for processing initial and weekly UI benefit claims, including adjudicating issues to determine if a claimant is eligible for first/ongoing benefit payments.

Several benefits staff teams carry out these responsibilities, including:

▷ **General inquiry staff (13 FTEs, 0 vacancies)**

Responsible for answering inbound general inquiry calls to the UI call center and providing general information and assistance to callers, which may include claimants, employers, and members of the public.

▷ **Adjudicators (107 FTEs, 0 vacancies)**

Responsible for adjudicating eligibility issues and issuing claimant eligibility determinations timely (see Finding 1, page 22, for more information about timely eligibility determinations), including answering inbound adjudication calls to the UI call center. Specifically, as of February 2025, 20 of the 107 adjudicators answer inbound adjudication calls.

▷ **UI Client Advocate staff (9 FTEs, 0 vacancies)**

Responsible for receiving and responding to complaints and concerns regarding UI claims and customer service from a variety of sources, such as the Department's Office of the Ombudsman, DOL, State legislators, and UI claimants. See Finding 1, page 36, for more information about UI Client Advocate complaints.

▷ **Special projects and other benefits staff (67 FTEs, 1 vacancy)**

Responsible for managing and overseeing UI call center staff, adjudicators, UI Client Advocate staff, and other teams that are responsible for carrying out various UI Program specialty tasks. For example, this includes reviewing and processing employer-provided information to determine an employer's liability for a claimant's UI benefits; reviewing and carrying out appeal determinations; manually processing paper claims for UI benefits and completing identity verifications; managing billing for UI claims that involve multiple and/or out-of-State or federal employers; and managing claims through its Shared Work program.³⁵ See textbox in Questions and Answers, page 58, for more information about an employer's accountability for a claimant's UI benefits.

● **Tax staff (88 FTEs, 17 vacancies)**

Responsible for determining employer tax liability, collecting State UI tax payments and wage information from employers, auditing employers for compliance, processing employer appeals of UI tax liabilities, and preventing and detecting UI tax fraud.

● **Administrative staff (5 FTEs, 0 vacancies)**

Responsible for providing administrative support and supervision to benefits and tax staff.

▷ **Quality Assurance and Integrity Administration (114 FTE, 7 vacancies)**

Responsible for assessing the timeliness and accuracy of UI claims and reducing fraudulent and improper UI benefit payments, including establishing overpayments, verifying wage and new hire information from employers and cross-matching information with active UI claims, and auditing UI claims and claim decisions for accuracy.³⁶

³⁵ The Department's Shared Work program allows employers faced with a reduction in workforce to divide available work among affected employees in lieu of layoffs and provides a portion of UI benefits to affected employees working reduced hours.

³⁶ The Department conducts new hire and wage cross matches to determine if a claimant has returned to work and earned wages to determine if a claimant is eligible to continue receiving benefits. See Questions & Answers, Question 9, pages 75 through 77, for more information about the Department's processes to identify and/or prevent improper UI benefit payments.

The Quality Assurance and Integrity Administration carries out these responsibilities through a variety of units, such as:

- **Benefit Payment Control (65 FTEs, 5 vacancies)**

Responsible for establishing and notifying claimants of UI benefit overpayments and, if necessary, waiving UI benefit overpayments. This unit is also responsible for processing overpayment waivers and appeals (see Questions and Answers, Questions 4 through 7, pages 61 through 72, for more information about overpayments, waivers, and appeals).

- **Benefit Accuracy Measurement (10 FTEs, 0 vacancies)**

Responsible for conducting audits of paid and denied UI claims, in accordance with DOL requirements, to validate compliance with federal and State laws, and determine the accuracy of paid and denied claims. These audits may include identifying errors in claims processes, improper payments, and strategies to prevent future errors (see Questions and Answers, Question 8, pages 73 and 74, for more information about the Department's Benefit Accuracy Measurement program).

- **Benefit Timeliness and Quality (4 FTEs, 1 vacancy)**

Responsible for assessing the timeliness and accuracy of nonmonetary determinations issued by the UI Program.

- **Other quality assurance staff (35 FTEs, 1 vacancy)**

Responsible for assessing and increasing the accuracy of work performed within other Division of Employment and Rehabilitation Services programs, such as Workforce Innovation and Opportunity Act programs (see Appendix A, page a-1, for more information about the Workforce Innovation and Opportunity Act).

UI Program revenues and expenditures

Unemployment Compensation Fund revenues and expenditures

As previously discussed on page 5, the Department is responsible for administering the State's Unemployment Compensation Fund (Fund). As shown in Table 1, pages 17 and 18, in most years, Fund revenues primarily consist of employer UI tax contributions and reimbursements. However, in fiscal years 2020 through 2022, the Fund received a significant increase in intergovernmental revenues from federal grant monies related to the COVID-19 pandemic with its biggest increase in fiscal year 2021 when intergovernmental revenues totaled approximately \$8 billion. After the federal pandemic grant programs expired, the Fund's total fiscal year 2023 revenues decreased to approximately \$544 million, an amount that was similar to the total annual revenue amounts it received prior to the pandemic.

The majority of the Fund's expenditures consist of UI benefit payments to claimants. In fiscal years 2020 through 2022, Fund expenditures increased significantly to pay for COVID-19 UI benefit payments, totaling more than \$8.5 billion in fiscal year 2021. By fiscal year 2023, Fund expenditures decreased to approximately \$373 million, a level moderately higher than its annual

expenditures prior to the COVID-19 pandemic. The Fund's fiscal year 2023 year-end balance was nearly \$1.6 billion and was restricted to pay UI benefits. However, as reported in the State of Arizona fiscal year 2023 annual comprehensive financial report and the single audit report, the Department did not maintain accurate records to support Fund cash balances reported in the State's financial statements, which would impact its available Fund balance, resulting in a qualified financial statement opinion (see Questions and Answers, Question 6, page 69, for additional information about recovered overpayments and/or fraudulent payments of federal UI monies owed to the federal government).³⁷

³⁷ Arizona Department of Administration (ADOA). *State of Arizona—Annual comprehensive financial report, year ended June 30, 2023*; Arizona Auditor General report *State of Arizona—Single audit report: Auditors' section, year ended June 30, 2023*.

Table 1**Schedule of revenues, expenditures, and changes in Unemployment Compensation Fund balances, and number of initial claims filed¹**

Fiscal years 2017 through 2023

(Expressed in thousands)

	2017 (Actual)	2018 (Actual)	2019 (Actual)	2020 (Actual)	2021 (Actual)	2022 (Actual)	2023 (Actual)
Beginning fund balance	\$391,445	\$626,344	\$901,031	\$1,114,746	\$153,126	\$249,908	\$1,421,986
Revenues							
Employer UI tax contributions and reimbursements	\$495,927	\$504,764	\$421,477	\$377,370	\$553,435	\$418,288	\$377,944
Intergovernmental ²	4,451	4,185	2,501	4,518,688	7,982,053	1,216,756	136,507
Fines, forfeitures, and penalties	1,895	1,880	2,260	2,081	2,063	2,491	2,379
Investment income	8,369	14,201	21,932	26,326	5,540	19,770	26,745
Other revenues ³	376	696	826	9,606	72,321	1,229	-
Transfers from General Fund ⁴	-	-	-	-	-	62,000	-
Total revenues and transfers in	\$511,018	\$525,726	\$448,996	\$4,934,071	\$8,615,412	\$1,720,534	\$543,575
Expenditures and transfers							
Expenditures							
Unemployment compensation benefits ⁵	271,519	246,318	230,259	5,889,387	8,513,303	542,802	368,501
Other	23	30	-	-	28	-	92
Total expenditures	\$271,542	\$246,348	\$230,259	\$5,889,387	\$8,513,331	\$542,802	\$368,593
Transfers							
Transfers to other funds ⁶	4,577	4,691	5,022	6,304	5,299	5,654	4,780
Total transfers out	\$4,577	\$4,691	\$5,022	\$6,304	\$5,299	\$5,654	\$4,780
Total expenditures and transfers out	\$276,119	\$251,039	\$235,281	\$5,895,691	\$8,518,630	\$548,456	\$373,373
Ending fund balance⁷	\$626,344	\$901,031	\$1,114,746	\$153,126	\$249,908	\$1,421,986	\$1,592,188
Net change in fund balance	+\$234,899	+\$274,687	+\$213,715	-\$961,620	+\$96,782	+\$1,172,078	+\$170,202
(Difference between revenues and transfers in and expenditures and transfers out)							
Number of initial unemployment claims filed⁸	223,084	214,590	197,855	873,422	443,841	150,330	171,252

Table 1 continued

- ¹ The Department's Unemployment Compensation Fund does not include the costs for administering the program. See Table 2, page 20, for more information about the Department's UI Program administrative costs.
- ² Intergovernmental revenues are monies received from federal grant programs, including expanded federal programs established in response to the COVID-19 pandemic. The significant increase in intergovernmental revenues in fiscal years 2020 through 2023 can be attributed to increased revenues from federal grant monies for providing economic relief to individuals who were unable to work because of the COVID-19 pandemic, including individuals who historically were not eligible for regular UI benefits such as self-employed and gig workers. These programs were in effect for weeks of unemployment beginning on or after January 27, 2020, and ending on or before September 6, 2021.
- ³ Prior to fiscal year 2023, other revenues included contributions and reimbursements for federal employees, ex-service members, and extended benefit UI Programs; however, these amounts were not reported in this line item in fiscal year 2023. Additionally, in fiscal year 2020, the other revenues included \$9.57 million in emergency supplemental monies in response to the COVID-19 pandemic as part of the Emergency Unemployment Insurance Stabilization Access Act of 2020. Further, in fiscal year 2021, other revenues included adjustments totaling approximately \$72 million, which primarily consisted of Coronavirus Relief Fund monies from the Governor's Office for UI Program costs related to the COVID-19 public health emergency.
- ⁴ Transfers from the General Fund included a one-time supplemental appropriation of \$62 million in fiscal year 2021, as required by Laws 2021, Ch. 408, §104.
- ⁵ In fiscal years 2020 through 2023, the Fund had an increase in unemployment compensation benefit expenditures because of COVID-19-related UI benefit programs. Specifically, according to the State of Arizona single audit reports, benefits included COVID-19 related benefits totaling approximately \$5.1 billion in fiscal year 2020, \$6.5 billion in fiscal year 2021, \$385.3 million in fiscal year 2022, and \$100.5 million in fiscal year 2023.
- ⁶ Transfers to other funds primarily include UI Program-related interest and penalties transferred to the Department's Special Administrative Fund, as required by A.R.S. §23-705, as well as fee revenues. In fiscal year 2020, transfers to other funds included a \$2 million transfer to the Department's Grant Fund. Specifically, these were Reed Act monies, which are occasional distributions from the federally managed UI trust fund to states to pay for the costs to administer UI programs.
- ⁷ The Fund's balance is restricted for paying unemployment compensation benefits. However, as reported in the State of Arizona fiscal year 2023 annual comprehensive financial report and the single audit report, the Department did not maintain accurate records to support Fund cash balances reported in the State's financial statements, which could impact its available Fund balance, resulting in a qualified opinion. See Arizona Auditor General report State of Arizona—Single audit report: Auditors' section, year ended June 30, 2023, for additional information about this finding and recommendations to the Department.
- ⁸ The number of initial unemployment claims filed are unaudited and were obtained from the statistical section of the fiscal years 2022 and 2023 State of Arizona annual comprehensive financial reports. According to the reports, the number of unemployment claims increased significantly in fiscal year 2020 as a direct result of the COVID-19 pandemic's effect on the economy and employment.

Source: Auditor General staff review of the State of Arizona annual comprehensive financial reports for fiscal years 2017 through 2023, Laws 2021, Ch. 408, and Department documents.

UI Program administrative expenditures

Additionally, the Department receives monies from DOL to pay for administrative costs for operating the UI Program, and these monies are not included in the Unemployment Compensation Fund shown in Table 1. Specifically, the Department and other states request administrative funding from DOL by annually completing a required DOL-provided resource justification model—a data-collection system consisting of 2 spreadsheets that helps states compile information about their administrative costs, such as personal services and benefits, and projected expenses for 2 fiscal years.³⁸ DOL uses this resource justification model to annually allocate monies appropriated by Congress to the states to pay for UI program administrative costs. However, as shown in Table 2 on page 20, in fiscal years 2021 through 2023, the amount allocated by DOL to the Department to pay for its administrative expenditures was always less than what the Department requested and less than its actual administrative costs.

For example, in fiscal year 2023, the Department:

- ▶ Requested approximately \$44.9 million to pay for UI Program administrative costs.
- ▶ Received approximately \$35.5 million from DOL to pay for UI Program administrative costs, which was approximately \$9.4 million less than it requested.
- ▶ Expended approximately \$42.3 million on UI Program administrative costs, which was approximately \$6.8 million more than it received from DOL to pay for UI Program administrative costs.

When the Department's UI Program administrative expenditures exceed the amounts allocated by DOL, the Department must either reduce its administrative costs and/or identify alternative funding sources, such as appropriations from the State General Fund.

³⁸ States submit their data to DOL no later than the last Friday in January for the federal fiscal year beginning October 1 of the same year to allow sufficient time for review.

Table 2**Department's administrative costs exceeded the amounts DOL allocated to pay for its administrative costs**

Fiscal years 2021 through 2023

(Expressed in thousands)

	2021	2022	2023
Requested costs			
Department's requested administrative costs	\$36,074	\$43,421	\$44,861
Actual allocation and costs			
Amount allocated by DOL for administrative costs	30,949	33,435	35,544
Department's actual administrative costs ¹	54,172	49,955	42,334
Amount Department spent in excess of amount allocated by DOL	\$(23,223)	\$(16,520)	\$(6,790)

¹ The Department's actual UI Program administrative costs were obtained from the "State section" of the Arizona Auditor General State of Arizona—Single audit reports for fiscal years 2021 through 2023, which do not include the specific funding source for any additional monies the Department used to pay for its administrative costs. The State section includes agencies' information that was compiled by the Arizona Department of Administration.

Source: Arizona Auditor General staff review of Department documentation related to administrative costs; U.S. Department of Labor (U.S. DOL). (2020a). *Corrected attachments I and II to Unemployment Insurance program letter (UIPL) 2-21*. (Unemployment Insurance Program Letter No. 2-21, Change 1). Retrieved 3/27/2025 from <https://www.dol.gov/agencies/eta/advisories/unemployment-insurance-program-letter-no-02-21-change-1>; U.S. Department of Labor (U.S. DOL). (2022a). *Revised and final fiscal year 2022 state workforce agency Unemployment Insurance resource planning targets and guidelines*. (Unemployment Insurance Program Letter No. 25-21, Change 1). Retrieved 3/27/2025 from <https://www.dol.gov/agencies/eta/advisories/unemployment-insurance-program-letter-no-25-21-change-1>; U.S. Department of Labor (U.S. DOL). (2022b). *Fiscal year 2023 state workforce agency Unemployment Insurance resource planning targets and guidelines*. (Unemployment Insurance Program Letter No. 18-22). Retrieved 3/31/2025 from <https://www.dol.gov/agencies/eta/advisories/uipl-no18-22>; and State section from the Arizona Auditor General State of Arizona—Single audit reports for fiscal years 2021 through 2023.

Department provided quality customer service to some UI claimants, but service quality, accuracy, and timeliness problems exist, potentially causing claimant hardships and frustration and increasing staff workload

Department responsible for providing customer service to claimants who inquire about general UI Program information, claim and benefit eligibility issues, overpayments, and other questions and concerns

Department is responsible for providing UI Program customer service and does so primarily through call centers and its website

As discussed in the Introduction, page 8, the Department is responsible for providing UI Program customer service to claimants. When Arizona UI claimants have questions about UI Program eligibility, active claims, benefits, overpayments, and other concerns, they have 2 primary places to obtain information and assistance from the Department:

▶ Department call centers

The Department operates call centers for its programs and services. Claimants primarily use 2 call centers to receive information about the UI Program as follows:

● UI call center

This call center provides assistance specifically related to the UI Program and operates 2 queues—a general inquiry queue to provide information regarding UI benefit eligibility, status of claims, and other general information about the UI Program, and an inbound adjudication queue (hereinafter referred to as the adjudication queue) to provide information and service related to eligibility issues on active claims.¹ In calendar year 2023, the UI call center received 3,225 calls per day on average.²

● Benefit Payment Control (BPC) call center

This call center provides information regarding overpayments, assistance with submitting waiver and appeal requests, and status information for overpayment waiver and appeal requests. The BPC call center operates 2 queues to provide this information—an overpayments queue for inquiries or questions pertaining to the UI Program and a PUA queue for matters pertaining specifically to the PUA program (see

¹ Adjudication calls help resolve eligibility issues on a claim and may involve interviewing the claimant and/or claimant's previous employer to collect information to determine if a claimant is eligible to receive or continue receiving UI benefits (see Questions and Answers, Question 3, pages 60 and 61, for more information about eligibility issues and the Department's process for resolving them).

² The Department's call center system tracks the total number of calls the UI and BPC call centers handle. However, the population of calls used to calculate the daily average number of calls received is not specific to unique callers because an individual could make multiple calls to the call center in 1 day (see page 34 for more information about individuals making multiple calls on the same day).

Introduction, page 1, for more information on the PUA program). In calendar year 2023, the BPC call center received 95 calls per day on average.²

► **Department website**

The Department's website provides public information about various aspects of the UI Program, including an overview of the UI Program, an explanation of UI Program eligibility requirements, answers to frequently asked questions, general UI Program guidance, and instructional materials and information for applying for UI benefits, completing identify verification, filing an appeal, or contacting the UI Program. The UI Program's website also directs users to an online, self-service UI claim portal where individuals can file initial, weekly, and additional UI claims, check their claim status, or reopen claims. The website can be accessed from wherever the internet is accessible, such as through internet-connected personal computers and mobile phones and at public libraries and Arizona@Work offices. As discussed in the Introduction, page 2, footnote 7, Arizona@Work offices provide no-cost access to computers and telephones; however, they do not provide any in-person customer service related to individual claims or overpayments.

Claimants may contact the Department for various inquiries and questions that can impact their timely receipt of UI benefits

DOL indicates that most calls and inquiries to state UI agencies are from claimants seeking UI benefit application or payment status updates, and Department adjudication-timeliness data from calendar year 2023 indicated that many claimants may have questions or concerns about their application status. Specifically, as discussed in the Introduction, page 3, the Department is responsible for timely adjudicating eligibility issues.

However, according to Department data, in calendar year 2023, the Department:

- Did not timely adjudicate 73,460 of more than 91,000, or approximately 81%, of initial claim issues.³
- Did not timely adjudicate 11,335 of more than 34,000, or approximately 33%, of weekly claim issues (see Finding 2, pages 50 through 56, for more information and recommendations we made to the Department related to untimely adjudication of eligibility issues).⁴

DOL also indicates that effective customer service is necessary for ensuring that UI claimants do not experience delays in receiving UI benefit payments. For example, if individuals who have become unemployed have questions about applying for UI benefits, obtaining timely and accurate information about the application process can help them accurately and completely apply for and receive more timely UI benefits. In addition, both claimants and employers may need to contact the UI Program's adjudication staff through the UI call center to provide information to help resolve eligibility issues, and their ability to timely do so can help reduce delayed payments to claimants.

³ DOL and Department policy require the UI Program to adjudicate initial claim eligibility issues within 21 days of identifying the issue.

⁴ Department policy requires the UI Program to adjudicate weekly claim-eligibility issues no later than the Thursday of the week following the Department's detection of the eligibility issue.

Finally, as discussed in the Introduction, pages 4 and 5, the Department is responsible for determining if the UI Program has made any overpayments of UI benefits—which can occur when a claimant has already received benefits and the Department later determines that the claimant was not entitled to/eligible for the UI benefits—and subsequently may waive some overpayments (see Questions and Answers, Question 4, pages 61 through 65, for additional information about overpayments and Question 5, pages 65 and 66, for additional information about overpayment waivers). In calendar year 2023, the Department identified more than 9,600 and 143,000 claimants with overpayments for both UI Program and PUA program benefits, respectively; consequently many claimants may have questions or concerns about overpayments and overpayment waivers (see Introduction, page 1, for more information about the PUA program).

Department provided some UI claimants with quality phone customer service, but customer service quality problems exist, including inaccurate and potentially misleading information provided, most calls not answered, and long call wait times

We reviewed the Department's provision of UI Program customer service in calendar year 2023 and found that although Department call center staff provided some individuals with quality phone call customer service and accurate information, the Department's provision of timely and quality customer service was inconsistent, including some individuals receiving inaccurate or potentially misleading information, most call center calls going unanswered, and other callers waiting long periods of time to have their calls answered.⁵

UI call center staff generally provided quality phone customer service for reviewed calls but did not answer most calls and did not return some calls

Our review of a sample of UI call center calls and analysis of Department-reported metrics on wait time and unanswered calls identified instances where UI call center staff provided quality customer service as well as areas where the UI call center could improve its customer service provision as follows:

- ▶ **UI call center staff were professional and courteous, and provided accurate information for most calls we reviewed, but for some calls, staff could have done more to resolve callers' issues**

Our review of a sample of 61 calendar year 2023 calls—consisting of 43 general inquiry and 18 adjudication calls—found that UI call center staff followed UI Program customer service procedures for 40 of the calls (see textbox, page 24, for examples of UI Program customer service procedures).^{6,7}

⁵ To assess the Department's provision of UI Program customer service in calendar year 2023, we reviewed customer service provided by both the UI and BPC call centers and information provided by the Department on its website and other materials.

⁶ We reviewed a stratified sample of 61 calls—43 general inquiry and 18 adjudication—of approximately 214,349 recorded phone calls that staff handled through the UI call center in calendar year 2023. This review included a random sample of 50 calls—35 general inquiry and 15 adjudication—and a judgmental sample of 11 calls—8 general inquiry and 3 adjudication—which were associated with the sample of 50. Our judgmental sample of 11 calls included all instances in which callers had called in multiple times on the same day because this could be an indication that the caller's questions or concerns were not being fully addressed or resolved within the first interaction (see Appendix B, page b-1, for additional information about how we selected this sample).

⁷ Because of how the Department's call center system tracks calls, the population figures we report in footnote 6, for general inquiry and adjudication calls in calendar year 2023 are approximate (see Appendix B, page b-1, for additional information about how we identified these population figures).

Examples of UI Program customer service procedures

- ▶ Provide name and unique staff identification number when greeting callers.
- ▶ Verify claimant information, including name, Social Security number, current address and phone number, last employer, and date of birth.
- ▶ Keep conversation positive and professional.
- ▶ Listen to callers and do not interrupt.
- ▶ Be patient and acknowledge callers' statements.
- ▶ Adapt communication style to callers.
- ▶ Educate the caller.
- ▶ Avoid personal opinions or being argumentative.
- ▶ Thank caller for calling and ask if you can provide additional assistance.

Source: Auditor General staff review of the Department's UI call center procedures.

Specifically, in these 40 calls, UI call center staff:

- Provided accurate information and assistance.
- Stayed positive and professional.
- Acknowledged callers' questions or problems.
- Worked to de-escalate situations where callers were upset or confrontational.
- Remained patient and assured callers that they heard their concerns.
- Provided UI Program education and alternative solutions to address callers' concerns.

For example:

- In 1 call we reviewed, UI call center staff provided quality customer service to an upset caller who expressed frustration regarding her prior attempts to determine whether the Department had received documentation she had submitted for her PUA claim. Specifically, the staff member stayed positive and professional, provided accurate information, and took steps to address the caller's concerns by reviewing the caller's claim, confirming that the UI Program had received the documentation the caller submitted for her PUA claim, and elevating the caller's claim to a supervisor.

- In another call we reviewed, UI call center staff provided quality customer service by educating a confused caller who had called in because she had not yet received UI benefits. Specifically, the caller was unaware of and expressed confusion over basic UI Program requirements, including needing to file weekly claims to certify her continued eligibility for receiving UI benefits, which she had not been submitting. The caller was also unaware that she had 2 active issues that needed to be adjudicated before she would be eligible to receive UI benefits. The staff member explained these requirements to the caller and provided detailed instructions for completing and submitting weekly claims on the Department's website. The staff member also informed the caller that she was at risk of being disqualified because she had already missed 2 weeks of filing weekly claims and that her 2 active issues could not be adjudicated until she submitted a weekly claim and other required documentation.

However, as shown in Table 3, page 27, for the remaining 21 of 61 calls we reviewed, we identified 1 or more areas in which UI call center staff did not follow all UI Program customer service procedures and thus did not provide sufficient customer service to help resolve the callers' questions or concerns as follows:

- In 6 of 61 calls, UI call center staff provided some inaccurate information.⁸ For example, in 1 call we reviewed, before transferring a claimant to the adjudication queue, the general inquiry staff member provided inaccurate and irrelevant information that left the claimant distressed and concerned that they were ineligible for UI benefits. Only after waiting in the adjudication queue for another 30 minutes was the claimant informed by the adjudicator that the information the general inquiry staff member gave was not relevant to the claimant's eligibility to receive UI benefits.
- In 3 of 61 calls, UI call center staff did not follow UI Program customer service procedures for educating the caller (see textbox, page 26, for an example).
- In 6 of 61 calls, UI call center staff did not follow UI Program procedures for providing professional and courteous service (see textbox, page 26, for an example).⁹
- In 2 of 61 calls, UI call center staff did not acknowledge and address all questions and/or concerns that the caller raised (see textbox, page 26, for an example).
- In 4 of 61 calls, UI call center staff did not fully verify the claimant's identity prior to providing the caller with information, a critical call-handling step for ensuring the confidentiality of UI claim information.^{10,11} Specifically, UI call center staff did not verify

⁸ All 6 calls in which UI call center staff provided some inaccurate information were general inquiry calls. We found that UI call center staff provided accurate information in all 18 adjudication calls we reviewed.

⁹ The 6 calls in which UI call center staff did not follow UI Program procedures for providing professional and courteous service consisted of 4 general inquiry calls and 2 adjudication calls.

¹⁰ Federal and State law prohibit the Department from disclosing UI claim information to spouses, relatives, friends, and other parties; as such, it is critical for the Department to identify the caller prior to providing any information.

¹¹ The 4 calls in which UI call center staff did not follow UI Program procedures for verifying the claimant's identity consisted of 2 general inquiry calls and 2 adjudication calls.

1 or more of the 5 items of claimant-identifying information required by UI Program customer service procedures.

- In 7 of 61 calls, UI call center staff did not provide their unique staff identification number when greeting callers as required by UI Program customer service procedures.¹² This information allows callers to identify who they previously spoke with if they make a subsequent call to the Department.

We reviewed all 21 calls identified in Table 3 with UI call center supervisors who agreed with our conclusions that staff did not follow UI Program customer service procedures and thus could have done more to address callers' questions or concerns.

Some calls we reviewed had multiple customer service quality issues

As shown in Table 3, call 1 (see page 27), UI call center staff did not use a courteous and professional manner and tone, address all identified questions, or provide sufficient context or education to the caller. Specifically, the claimant needed to provide information about his eligibility by completing and submitting a fact-finding questionnaire to the Department (see Questions and Answers, Question 3, pages 60 and 61, for more information about the Department's fact-finding process to determine a claimant's eligibility). However, the staff member did not provide information about the next steps in the process, such as time frames, or explain the reasons why the claimant needed to perform additional actions. Additionally, when the claimant continued to express confusion about the purpose of the questionnaire, the staff member used a rude tone and did not attempt to modify his instructions or communication style. Eventually, the claimant disconnected the call without receiving additional information.

Source: Auditor General staff analysis of 1 Department UI call center recorded phone call from calendar year 2023 that had deficiencies related to UI Program customer service procedures (see footnote 6, page 23, for information about the sample of recorded calls reviewed).

¹² The 7 calls in which UI call center staff did not follow UI Program procedures for providing their unique staff identification number when greeting callers consisted of 3 general inquiry calls and 4 adjudication calls.

Table 3

UI call center staff did not follow UI Program customer service procedures for 21 calls we reviewed

Call	Employee provided accurate information to caller	Employee educated caller and provided context	Employee displayed courteous & professional manner	Employee addressed all of caller's questions	Employee fully verified caller's identity	Employee used required greeting at beginning of call
1	✓	✗	✗	✗	✓	✓
2	✗	✓	✗	✗	✓	✓
3	✗	✗	✓	✓	✓	✓
4	✓	✓	✓	✓	✗	✗
5	✓	✗	✗	✓	✓	✓
6	✓	✓	✓	✓	✗	✓
7	✓	✓	✓	✓	✓	✗
8	✓	✓	✓	✓	✓	✗
9	✓	✓	✓	✓	✗	✓
10	✓	✓	✓	✓	✓	✗
11	✓	✓	✓	✓	✓	✗
12	✓	✓	✗	✓	✓	✓
13	✓	✓	✓	✓	✓	✗
14	✓	✓	✓	✓	✓	✗
15	✗	✓	✓	✓	✓	✓
16	✓	✓	✓	✓	✗	✓
17	✗	✓	✓	✓	✓	✓
18	✓	✓	✗	✓	✓	✓
19	✗	✓	✓	✓	✓	✓
20	✗	✓	✓	✓	✓	✓
21	✓	✓	✗	✓	✓	✓
Total calls with deficiencies	6	3	6	2	4	7

Source: Auditor General staff analysis of 21 Department UI call center recorded phone calls from calendar year 2023 that had 1 or more deficiencies related to UI Program customer service procedures (see footnote 6, page 23, for information about the sample of recorded calls reviewed).

► **UI call center staff did not answer most calls received, and many callers experienced long wait times in calendar year 2023**

According to DOL, long wait times and unanswered calls indicate that a call center may be operating inefficiently, and DOL recommends that state UI agencies reduce wait times and unanswered calls to improve customer service.

However, our review and analysis of calendar year 2023 UI call center metrics found:

- The UI call center answered an average of only 817 of 3,225 calls it received per day, or 25%.
- Many callers to the UI call center experienced long wait times. Specifically, as shown in Table 4, the maximum daily wait time for the UI call center's general inquiry queue was between 1 and 2 hours for 48% of the days it received calls during the year, and the maximum daily wait time for the adjudication queue was between 1 and 3 or more hours for 65% of the days it received calls during the year.

Additionally, our review of 61 calendar year 2023 UI call center calls found that for 18 calls, callers experienced longer wait times because they were transferred from the general inquiry queue to the adjudication queue to resolve their questions and concerns, requiring additional wait time to speak with an adjudicator after already waiting to speak with a general inquiry staff member (see footnote 6, page 23, for information about the sample of UI call center calls we reviewed). For example, 1 claimant waited in the general inquiry queue before being transferred and then also waited in the adjudication queue. However, upon reaching an adjudicator, the call disconnected midconversation and the claimant then repeated the process, waiting in both the general inquiry and adjudication queues a second time to reach another adjudicator, bringing his total wait time across the 2 phone calls to approximately 90 minutes.

Table 4

Many callers to UI call center experienced wait times in excess of 1 hour during calendar year 2023

Percentage of days that maximum wait time fell within the indicated ranges ¹		
	General inquiry queue	Adjudication queue
1 hour or less		
0-1 hour	52%	35%
Subtotal	52%	35%
1+ hours		
1-2 hours	48%	38%
2-3 hours	0%	20%
3+ hours	0%	7%
Subtotal	48%	65%

¹ Although the UI Program tracks some data on caller wait times, such as the maximum wait time and the average wait time for callers to reach Department staff, it did not have a metric for how often or how many callers experienced long call wait times. See Finding 2, page 51, and recommendation 19, page 55, for more information about our review of the UI call center's data; see footnote 32, page 40, for more information on the UI Program tracking average wait times for callers to reach Department staff.

Source: Auditor General staff review of UI call center metrics for general inquiry and adjudication phone calls in calendar year 2023.

► **UI call center staff did not perform callbacks when calls disconnected or when requested by callers after speaking directly to UI call center staff**

Finally, we found that for 6 of 61 calendar year 2023 UI call center calls we reviewed, call center staff did not follow the Department's unwritten expectation to attempt to reconnect with callers when the call either disconnected midconversation or the caller requested a callback for additional assistance or followup after speaking directly with UI call center staff (see footnote 6, page 23, for information about the sample of UI call center calls we reviewed). Specifically, despite confirming the caller's current phone number at the beginning of each call, UI call center staff did not perform callbacks for any of these 6 calls.

BPC call center staff did not provide accurate or available information or sufficient education, were unprofessional during some calls, and did not return some calls we reviewed

Our review of a sample of BPC call center calls identified several areas where BPC call center staff could improve its customer service, as follows:

► **BPC call center staff did not always provide callers with accurate information, did not always use a professional manner or tone, and in some cases, did not educate callers or provide context**

Our review of 19 calendar year 2023 BPC call center calls found that staff did not always provide quality customer service for 15 of the calls as shown in Table 5, page 31.^{13,14}

Specifically:

- In 6 of 19 calls, BPC call center staff did not provide callers with accurate or available information about their benefit overpayments. For example, in 2 calls, the same BPC staff member directed the claimants to call the UI call center's adjudication queue instead of providing information about the claimants' cases that the staff member could access. In another call, the BPC staff member failed to explain to the claimant that their overpayment had been classified as fraud and that before the caller could submit a request to have the overpayment waived, the claimant would first need to file an appeal to have the overpayment reclassified as an administrative overpayment.¹⁵

¹³ We reviewed a sample of 19 calls—11 overpayments and 8 PUA—of 10,732 recorded phone calls with a call duration of 2 minutes or longer that staff answered through the BPC call center in calendar year 2023. This review included a stratified random sample of 14 calls—8 overpayments and 6 PUA—and a judgmental sample of 5 calls—3 overpayments and 2 PUA—that we selected because the caller had called in multiple times on the same day, as this could be an indication that the caller's questions or concerns were not being fully addressed or resolved within the first interaction (see Appendix B, pages b-1 and b-2, for additional information about how we selected this sample).

¹⁴ Prior to October 2023, the BPC call center did not have written procedures for handling inbound calls, including customer service requirements. However, to assess the quality of customer service that BPC call center staff provided, we evaluated the BPC calls using BPC call-handling procedures established in October 2023 and the UI Program customer service procedures as shown in the textbox on page 24, despite these procedures not being applicable to the BPC call center for most of the period we reviewed. See pages 38 and 39 for more information on BPC's lack of call-handling procedures outlining customer service requirements for call center staff and how it contributed to the customer service quality issues we identified in 15 of the 19 BPC calls we reviewed.

¹⁵ As discussed in the Introduction, pages 4 and 5, administrative overpayments are the only type of overpayments that are eligible for a waiver of repayment. Nonfraud and fraud overpayments would need to be reclassified as administrative overpayments to be eligible for a repayment waiver, which can be done by filing an appeal of the determination. See Questions and Answers, Question 5, pages 65 and 66, for more information about overpayment waivers and Question 7, pages 69 through 72, for more information about appealing determinations.

- For 9 of 19 calls, BPC call center staff did not provide sufficient education to ensure that callers understood the information provided. In several calls, callers had to ask clarifying questions at multiple points throughout the calls and did not always receive comprehensive information from BPC call center staff to resolve their questions and concerns. For example, in 1 call we reviewed, the BPC staff member instructed the claimant to appeal his nonfraud PUA overpayment but did not provide additional context about the claimant's overpayment or why the appeal was necessary. Further, rather than answering the claimant's questions, the BPC staff member directed the claimant to review his overpayment determination letter several times, despite the claimant stating that he did not have access to the overpayment determination letter.
- In 6 of 19 calls, BPC call center staff did not use a professional manner or tone when interacting with callers. For example, in 1 call, the BPC staff member did not provide an opportunity for the claimant to share their concerns and spoke over the claimant multiple times, including while attempting to obtain the claimant's Social Security number, which took multiple attempts due to the staff member's interruptions.
- In 6 of 19 calls, BPC staff did not acknowledge or address all questions and/or concerns that the caller raised (see Call 1 in textbox, page 35, for an example).
- In 5 of 19 calls, BPC staff did not fully verify the caller's identity prior to providing the caller with information. As previously mentioned on pages 25 and 26, UI Program customer service procedures require this critical call-handling step to ensure the confidentiality of UI claim information.
- In 12 of 19 calls, BPC call center staff did not provide their name and unique staff identification number when greeting callers. As previously mentioned on page 26, this information allows callers to identify who they previously spoke with if they make a subsequent call to the Department.

We reviewed the 15 calls in Table 5 with BPC supervisors who agreed with our conclusions that staff did not provide quality customer service and could have done more to address callers' questions or concerns.

► **BPC call center staff did not perform callbacks when calls disconnected or when requested by callers after speaking directly to BPC call center staff**

Finally, we found that for 2 of 19 calendar year 2023 BPC call center calls we reviewed, staff did not follow the Department's unwritten expectation to attempt to reconnect with callers in which the call either disconnected midconversation or the caller requested a callback for additional assistance or followup after speaking directly with BPC call center staff (see footnote 13, page 29, for information about the sample of BPC call center calls we reviewed). Specifically, despite confirming the caller's current phone number at the beginning of each call, BPC call center staff did not perform callbacks for either of these 2 calls.

Table 5

BPC call center staff did not provide quality customer service for 15 calls we reviewed, including providing inaccurate information to and/or failing to educate some callers

Call	Employee provided accurate information to caller	Employee educated caller and provided context	Employee displayed courteous & professional manner	Employee addressed all of caller's questions	Employee fully verified caller's identity	Employee used required greeting at beginning of call
1	✗	✗	✗	✓	✗	✗
2	✗	✗	✓	✗	✓	✗
3	✗	✗	✗	✗	✓	✓
4	✗	✗	✓	✓	✗	✗
5	✓	✗	✗	✗	✓	✗
6	✗	✗	✗	✗	✓	✓
7	✗	✗	✓	✗	✓	✗
8	✓	✗	✗	✗	✓	✗
9	✓	✓	✓	✓	✗	✗
10	✓	✓	✓	✓	✗	✗
11	✓	✓	✓	✓	✗	✗
12	✓	✗	✗	✓	✓	✓
13	✓	✓	✓	✓	✓	✗
14	✓	✓	✓	✓	✓	✗
15	✓	✓	✓	✓	✓	✗
Total calls with deficiencies	6	9	6	6	5	12

Source: Auditor General staff analysis of 15 Department BPC call center recorded phone calls from calendar year 2023 that had 1 or more deficiencies when assessed against BPC call-handling procedures and UI Program customer service procedures (see footnote 13, page 29, for information about the sample of recorded calls we reviewed).

Department's website and other materials provided inconsistent and potentially misleading information

We identified 2 specific examples of inconsistent and potentially misleading information on the Department's website and in UI Program materials.

Specifically:

► Department's website and other materials provided inconsistent information about the type and availability of in-person UI Program assistance at Arizona@Work offices

As discussed in the Introduction, page 2, footnote 7, and Appendix A, pages a-1 and a-2, Arizona@Work offices provide resources and services to individuals in the State seeking employment opportunities, including no-cost access to computers that individuals can use to file UI claims, appeals, and other related documents and telephones that they can use to access the UI and BPC call centers. The Department does not operate any UI Program offices at which claimants can receive in-person assistance. However, our review of the Department's website and various Department materials, including claimant documents and notices, found that the Department has provided inconsistent and potentially misleading information about the types of services and availability of in-person assistance at Arizona@Work offices around the State, which may make it difficult for claimants to navigate the UI Program, including seeking UI assistance from the appropriate access point.¹⁶

Specifically, we found:

- Some Department materials and information direct claimants to visit in-person Arizona@Work offices for UI activities, including filing appeals or receiving help with the online UI application; however, they do not clearly explain that Arizona@Work office staff cannot access an individual's specific UI claim information and that the assistance provided by Arizona@Work office staff is generally limited to providing claimants with use of a phone or computer to access the UI and BPC call centers or UI Program website, fax or email to submit initial and weekly claims, or access to paper applications.¹⁷
- Department materials and information do not use consistent terminology when directing claimants to in-person offices. For example, although some materials and information refer to the offices as "Arizona@Work job centers," "Employment Service offices," or "One Stop partner office," other materials refer to them incorrectly as "Unemployment Insurance office," which could mislead claimants to believe that these offices provide in-person assistance specific to the UI Program.

¹⁶ DOL indicates that as part of state UI agencies' responsibility to provide various methods for accessing the UI program, states must broadly and conspicuously disseminate information about alternative ways to access the program to ensure that individuals who need such options are aware of how to utilize them. Further, DOL indicates that providing and communicating information about alternative access options is part of providing customer service to help UI applicants/claimants successfully navigate the UI program.

¹⁷ During the audit, in September 2024, the Department developed a process, including written procedures, for providing some in-person assistance at some Arizona@Work offices by having office staff complete identity verification for claimants applying for UI benefits with a paper application (see Introduction, page 2, for more information on identity verification; see Finding 2, page 48, for more information about some actions the Department has taken to better support UI claimants visiting Arizona@Work offices).

► **Department’s website and other materials provided conflicting information for time frames claimants have to file a wage protest**

As discussed in the Introduction, page 3, the Department assesses claimants’ eligibility for receiving UI benefits and issues a monetary determination—also known as a wage statement—notifying claimants of their monetary eligibility based on wages they earned. If a claimant believes their wage statement is inaccurate, the claimant may file a wage protest with the Department (see Questions and Answers, Question 2, page 60, for more information about the wage protest process). However, our review of the Department’s website and examples of claimant wage statements found that the Department has provided inconsistent and potentially misleading information about the time frames claimants have to file a wage protest with the Department.

Specifically:

- According to the wage statement, the first page states “Protests must be filed within 10 working days of the date on this form.” However, the second page of the wage statement states “In order to pay benefits in a timely manner, your wage protest should be filed within 10 working days of the mail date on your wage statement.” Because the term “mail date” could be interpreted as either the statement’s postmark date or the date on the statement, claimants could be confused about their deadline for filing a wage protest with the Department.
- The Department’s website states: “In order for benefits due to be paid in a timely manner, it is recommended that you file a wage protest within 10 working days of the statement date on your wage statement.”

Conversely, the Department’s rules state that the claimant may protest the wage statement prior to the expiration of the claimant’s benefit year (see Questions and Answers, footnote 2, page 60, for a definition of benefit year).¹⁸

Ineffective customer service may hinder claimants’ access to UI Program benefits, resulting in financial hardships and frustration for claimants and additional workload for Department staff

As previously mentioned on page 22, DOL indicates that effective customer service is necessary for ensuring that UI program claimants do not experience delays in receiving UI benefit payments. In addition, in 1 report GAO issued in 2022 on customer service challenges in selected states during the COVID-19 pandemic, GAO found that some claimants who experienced delays in UI benefit payments reported a variety of impacts resulting from those delays, including financial and health impacts (see Introduction, pages 9 through 11, for more information on

¹⁸ Arizona Administrative Code (AAC) R6-3-1803.

GAO's reporting on issues with states' UI program customer service quality).^{19,20,21} For example, according to GAO's report, 1 claimant reported having his car repossessed and, for a time, loss of electricity while waiting to receive UI benefits. Additionally, GAO reported that other claimants, including some from Arizona, reported having to use other sources of monies to pay for their living expenses while waiting for UI benefit payments, including using monies from retirement accounts and other savings, relying on family and friends for loans to meet living expenses, and accepting assistance from community-based food pantries and other organizations to get help with food and paying for utilities.

Further, in addition to minimizing delays, DOL also indicates that effective customer service is a key component of minimizing frustrations for claimants, which can reduce claimants' need for additional assistance from state UI agency staff and thus reduce workloads for state UI agencies. For example, as previously mentioned on page 22, DOL indicates that most calls and inquiries to state UI agencies are from claimants seeking application or payment status updates and further indicates that proactively and accurately answering these questions is key to managing claimant satisfaction and call center volume.

Our review of the Department's provision of UI Program customer service in calendar year 2023 identified examples of these impacts as follows:

► **Claimants needing to make multiple phone calls to resolve their questions/concerns resulted in frustration for claimants and increased workload for staff**

Our review of the 80 calendar year 2023 calls from the UI and BPC call centers identified 10 callers who made multiple calls to these call centers on the same day to have their questions/concerns resolved, despite Department staff having the ability to address their questions/concerns during the first call.²² Not only did callers express frustration during these calls, but the callers needing to call in multiple times resulted in additional workload for Department staff. See the textbox on page 35 for an example of a series of calls we reviewed that exemplifies these impacts.

¹⁹ U.S. GAO, 2022a.

²⁰ GAO reviewed states' challenges during the COVID-19 pandemic, including the provision of UI program customer service, in 6 states—Arizona, Florida, Massachusetts, Michigan, Minnesota, and Wyoming—through interviews with state UI agency officials and UI claimant advocates and discussion groups with claimants who had received UI benefits in these selected states.

²¹ To protect claimant privacy and confidentiality, we did not contact any UI Program claimants to assess whether they experienced any of these impacts.

²² As previously mentioned, our review of UI and BPC calls from calendar year 2023 included 11 UI call center calls and 5 BPC calls that were judgmentally selected because callers had called in multiple times on the same day (see footnote 6, page 23, and footnote 13, page 29). These judgmentally selected calls consisted of 10 unique callers, as some callers made as many as 4 calls to the UI or BPC call centers in the same day (see textbox, page 35, for an example of a series of calls we reviewed).

A claimant had to make 4 calls in 1 day to obtain accurate information from the BPC call center

BPC call center staff's failure to provide accurate information and quality customer service led a claimant to call the BPC call center 4 times in 1 day and speak with 4 different staff members to obtain information on her overpayment and receive guidance for requesting an overpayment waiver.

Call 1: During the first call, the claimant reported receiving an overpayment letter after having previously paid an overpayment of the same amount. In response, the BPC staff member clarified that although the claimant had paid the previous overpayment, the claimant had another overpayment on the account. The BPC staff member explained that the claimant could request a waiver because the second overpayment was classified as an administrative overpayment, but the BPC staff member disconnected the call before providing the claimant with information about how to request a waiver. Although the call disconnected midconversation, the BPC staff member did not attempt to make a callback.

Call 2: After the first call disconnected midconversation, the claimant immediately made a second call to request information about how to request a waiver. In response to the claimant's questions, a different BPC staff member provided an incorrect overpayment amount that contradicted the information given to the claimant during the first call and did not handle the call in a professional manner. For example, the BPC staff member repeatedly interrupted the claimant, told the claimant that the BPC call center was unable to provide assistance, and incorrectly stated that the claimant needed to call accounts receivable. Additionally, the BPC staff member did not empathize with the claimant who was expressing frustration and confusion. During our review of this call with BPC supervisors, they also identified that the staff member did not use a courteous and professional tone.

Call 3: After the second call ended, the claimant made a third call to request information about submitting an overpayment waiver request and asked how to file a complaint against the staff member from the second call. A third BPC staff member who answered this call correctly told the claimant to submit the waiver application by fax or email and file a complaint through the Department's website. However, the staff member provided an incorrect email address for the claimant to submit the waiver request.

Call 4: Approximately 4 minutes after the third call, the claimant made a fourth call and explained to a fourth BPC staff member that the email address she had received during the third call was not working because her waiver request had bounced back. Although the BPC staff member who answered this call did not provide their unique staff identification number or verify the claimant's identity, the staff member did provide the correct email address, and the claimant thanked the staff member for her help.

BPC supervisors agreed with our assessment that the claimant had received inaccurate information and poor-quality customer service and acknowledged that if the first BPC staff member had taken appropriate action by making a callback after disconnecting the call, the 3 subsequent phone calls would not have been necessary.

Source: Auditor General staff review of a series of calls made by a claimant who did not receive a callback from their initial call. See footnote 13, page 29, for additional information about the sample selection.

► **Some claimants who may have received poor-quality and untimely customer service have filed complaints through the Department's Ombudsman and UI Client Advocate to seek assistance, increasing Department staff workload**

As discussed in the Introduction, page 14, the UI Program's UI Client Advocate staff are responsible for responding to and resolving UI Program complaints received from a variety of sources, including complaints that are forwarded from the Department's Office of the Ombudsman (Ombudsman).²³ According to the Department's Ombudsman complaint data, in calendar year 2023, the Department's Ombudsman forwarded nearly 1,600 complaints to the UI Client Advocate for response and resolution. The top 3 categories of complaints that it forwarded to the UI Client Advocate in calendar year 2023 included inability to reach Department staff through the call centers, not receiving timely action or assistance from the Department, and requests for assistance with claims, such as questions or concerns related to claim status, receiving payment, and/or overpayments, indicating frustration may have led to the claimant filing a complaint.²⁴ Additionally, the need to review, forward, respond to, and resolve these complaints increases Department staff workloads and could result in duplicative work for Department staff. For example, when UI Client Advocate staff review complaints, they may need to contact other Department staff, such as UI Program adjudicators or BPC staff, to obtain additional information related to the complaint, duplicating efforts to resolve claimant questions and concerns. See Finding 2, pages 51 through 56, for more information about and recommendations we made to the Department related to the UI Client Advocate.

► **Arizona@Work offices reported that claimants often express frustration related to their attempts to receive UI Program customer service**

As discussed in the Introduction, page 2, and Appendix A, pages a-1 through a-3, Arizona@Work offices around the State offer claimants no-cost access to computers and telephones that they can use to access the Department's UI and BPC call centers and website, but these offices do not provide in-person assistance related to the UI Program (see Appendix A, Figure 8, page a-3, for a map of Arizona@Work offices around the State). Our interviews with staff from a sample of 7 of 27 Arizona@Work offices in the State found that staff at 6 of 7 Arizona@Work offices reported that visitors come to their locations weekly, or in some cases daily, seeking a variety of UI-related assistance, such as attempting to obtain information about their claims, complete identity verifications, and submit initial and weekly UI claims.^{25,26} Additionally, staff at these offices shared that many visitors seeking UI assistance have expressed frustration over a variety of areas, including not being able to receive in-person, claim-specific assistance at an Arizona@Work office and difficulty reaching UI Program staff through the UI call center. Staff at 1 office also

²³ According to the Department's website, the Department's Ombudsman is a confidential, independent, and impartial resource for members of the public that can assist in resolving issues of concern when receiving or attempting to receive benefits and services from the Department.

²⁴ It is unknown how many complaints the UI Client Advocate received and resolved in calendar year 2023 because the UI Client Advocate does not track this information (see Finding 2, page 51, for more information).

²⁵ We reviewed a sample of 7 of 27 Arizona@Work offices around the State, consisting of 3 randomly selected urban locations and 4 judgmentally selected rural locations. Urban counties were determined as those with a population of more than 1 million according to 2023 U.S. Census data. Our judgmental selection considered county unemployment rates for calendar year 2023, and geographic location and number of Arizona@Work offices in the county (see Appendix B, pages b-2 and b-3, for additional information about our sample selection).

²⁶ For 1 of the 7 Arizona@Work offices we reviewed, staff reported that although they provide access to computers and telephones, they do not have on-site staff who track the number of visitors seeking UI Program-related assistance.

reported that trying to assist UI claimants who visit their office daily seeking UI assistance limits the time and resources they have to assist members of the public who visit the office seeking employment services under the Workforce Innovation and Opportunity Act (WIOA).²⁷ Arizona@Work office staff also reported that UI Program visitors often exhibit frustration when office staff are unable to answer their questions about the UI Program and refer the claimants to the UI call center or website, and that these visitors often report additional frustrations with accessing the call center, including experiencing long wait times. Further, staff from the Winslow Arizona@Work office reported that some UI Program visitors who attempt to obtain UI Program assistance at their office travel from as far as the Four Corners area near the Arizona-Colorado border and the Arizona-Utah border, such as Page, both of which are at least a 2-hour drive away from the office.

Several factors contributed to claimants receiving poor-quality, untimely, and inaccurate or inconsistent customer service and information, including Department's lack of procedures for monitoring call quality and other key customer service requirements, inconsistent staff training, high call volumes, and lack of call-routing system functionality

We identified several factors that likely contributed to the Department's inconsistent provision of timely and quality customer service and some individuals receiving inaccurate or potentially misleading information.

Specifically:

► **Department lacked call-monitoring processes to identify and correct UI and BPC call center customer service quality issues during most of the time frame we reviewed**

During portions of calendar year 2023, the Department was not monitoring calls handled by staff in its UI and BPC call centers or reviewing audio recordings of these calls to assess and improve customer service quality, as follows:

- In November 2023, the UI Program implemented a process requiring UI call center supervisors to review call center audio recordings to evaluate UI call center staff's customer service quality for a random sample of UI call center calls each month and to work with call center staff to correct any identified deficiencies related to the UI Program customer service procedures.²⁸ However, this review process was not in place during most of calendar year 2023—the time frame we reviewed—which likely contributed to the customer service quality issues we identified in 21 of the 61 UI call center calls we reviewed.

²⁷ See Appendix A, pages a-1 and a-2, for more information about the employment services available at Arizona@Work offices under WIOA.

²⁸ Effective November 2023, the UI Program requires UI call center supervisors to review a monthly total of 8 calls for each general inquiry staff member and 4 calls for each adjudicator. In July 2024, the UI Program increased its requirement for supervisors to review adjudication calls from 4 to 8 calls per adjudicator each month.

- The Department reported that the BPC call center hired a quality control analyst in April 2023 to help identify and correct BPC customer service quality issues, and in June 2023, the quality control analyst began reviewing audio recordings of some BPC calls to evaluate BPC staff's customer service quality. However, our review of the quality control analyst's call review documentation from calendar year 2023 found that some BPC staff members had similar deficiencies over several months of reviews, indicating that previously identified issues had not been corrected. Specifically, our review found multiple instances of BPC staff members not performing 5-point verification or providing poor-quality customer service, including interrupting and talking over the claimant, and that the quality control analyst's reviews performed up to 4 months later identified similar customer service quality deficiencies for some of the same BPC staff members.
- During the audit, in October 2024, BPC implemented written procedures for BPC supervisors to access call recordings to perform call monitoring, in addition to reviews the quality control analyst was conducting. According to the Department, supervisors were expected to evaluate customer service quality by using a point system to score the calls and provide coaching or corrective action to BPC staff members who do not achieve the minimum score. However, BPC's procedures did not include steps and requirements for using this point system to score calls and provide coaching or corrective action as applicable, selecting calls for review, the frequency of reviews, and the number of calls that supervisors should review. In April 2025, the Department developed supervisor quality review procedures that include these steps and requirements.

► **Department lacked written policies and/or procedures requiring UI and BPC call center staff to perform callbacks**

As previously discussed (see pages 29 and 30), UI Program and BPC supervisors stated that there is an expectation that UI call center and BPC staff perform callbacks when calls disconnect or callers request a callback.²⁹ However, as of October 2024, the Department lacked written policies and/or procedures outlining requirements, time frames, and/or guidance for UI and BPC call center staff to perform callbacks, which likely contributed to call center staff not performing callbacks for any of the applicable calls we reviewed. As of April 2025, BPC had developed written policies and procedures requiring its staff to perform callbacks when calls disconnect or callers request a callback after speaking directly to staff; however, although the UI call center developed written policies and procedures requiring staff to perform callbacks when calls disconnect, it had not similarly done so for instances where callers request a callback after speaking directly to staff.

► **BPC lacked written procedures outlining customer service requirements for call center staff**

As previously discussed on pages 23 and 24, the Department has developed written UI Program customer service procedures that its UI call center staff are required to follow.

²⁹ As previously discussed on page 29, BPC established call-handling procedures in October 2023. Although these procedures require BPC staff to obtain the caller's phone number to perform callbacks, it does not explicitly state that BPC staff should perform callbacks when calls disconnect or callers request a callback.

However, as previously discussed in footnote 14 (see page 29), prior to October 2023, it had not developed similar written procedures for BPC call center staff, which likely contributed to the customer service quality issues we identified in 15 of the 19 BPC call center calls we reviewed. BPC did not have written procedures for handling calls, including customer service requirements, because BPC did not have a dedicated BPC call center until July 2024. Specifically, the Department reported that prior to July 2024, BPC staff split their time between answering inbound phone calls and performing other work, such as establishing overpayments and performing wage audits (see Questions and Answers, Question 9, pages 75 and 76, for more information about the Department's process for performing wage audits). In October 2023, BPC established written call-handling procedures that included some steps similar to UI Program customer service procedures, such as providing staff names and unique identification numbers when greeting callers and verifying callers' identities prior to providing any information. As of November 2024, BPC's written call-handling procedures included customer service requirements similar to the UI Program's customer service procedures.

► **BPC call center staff received less training for answering calls than UI call center staff**

New UI call center staff complete computer-based training modules on UI Program policies and procedures for answering inbound phone calls and undergo multiweek training that includes listening to recorded inbound calls independently, shadowing experienced UI call center staff as they answer phone calls, and according to the Department, having UI call center supervisors listen to live calls the new UI call center staff answer during their first 2 weeks of taking calls. Conversely, although new BPC call center staff complete computer-based training modules, in calendar year 2023, they were not required to listen to recorded calls or shadow experienced BPC call center staff as part of their training, and BPC supervisors were not required to listen to live calls that new staff answered, such as during their first 2 weeks of taking calls. As previously mentioned, the Department reported that BPC staff were responsible for completing assigned case work in addition to answering phone calls and further reported that because of this, BPC did not have specific training requirements for answering inbound phone calls and providing customer service.³⁰ In July 2024, BPC revised its organizational structure by designating specific staff for answering phone calls to the BPC call center, and in October 2024, BPC revised its training process to require new call center staff to independently review recorded calls with varying customer service quality, shadow experienced BPC call center staff, and complete instructor-led customer service skills training in addition to completing computer-based training modules. Further, BPC also revised its training process to require its supervisors to listen to live calls that new call center staff answer during the first month of training.

³⁰ Although not required, the Department reported that some BPC staff may have listened to recorded phone calls or shadowed experienced BPC staff members as needed.

► **High call volumes and lack of call-routing system functionality contributed to long UI call center wait times in calendar year 2023, and although call volumes decreased in calendar year 2024, long call wait times persisted**

According to the Department, high call volumes contributed to its staff not answering most UI call center calls it received and callers experiencing long call wait times, and our review of 2023 average daily UI call center call volumes found them more than 2 times as high as average daily call volumes in calendar 2024. As previously discussed on page 22, DOL indicates that most calls and inquiries to state UI agencies are from claimants seeking UI benefit application or payment status updates; as such, the difference in call volumes in 2023 and 2024 could be attributed to the Department's untimely adjudication of the majority of eligibility issues for initial claims in calendar year 2023 (see Finding 2, page 50, for more information about the Department's adjudication untimeliness in 2024 compared to 2023).

In addition, in January 2024, during our audit, the UI Program began making changes to its automated call-routing system for the UI call center to help alleviate the impacts of and reduce caller wait times and improve its ability to assist more callers. For example, the UI Program modified its call-routing system to notify callers of their estimated wait time and offer callers waiting in the general inquiry and adjudication queues the option to receive a callback rather than continuing to wait to speak with a staff member. The Department also modified the call-routing system to determine, verify, and share the status of callers' claims based on their Social Security numbers. Department management reported that they expected these system changes would increase the number of callers it could assist by providing callers with information they could not previously receive without speaking directly to call center staff and minimize the amount of time that callers spend waiting on the phone to speak with call center staff. Our review of UI call center data found that since the Department made these changes, the call-routing system provided the status of callers' claims based on their Social Security numbers for approximately 157,000 calls from May through December 2024, or an average of 623 calls for each day it received calls during this time frame.³¹ Additionally, the daily average wait time to reach Department staff decreased slightly in both queues from calendar year 2023 to calendar year 2024. Specifically, the daily average wait time to reach Department staff decreased from approximately 29 to 26 minutes for the general inquiry queue and approximately 39 to 35 minutes for the adjudication queue.³²

Additionally, the Department modified the call-routing system to automatically route callers with active adjudication issues to the adjudication queue. Department management reported that this change would improve its ability to assist more callers by reducing the number of calls transferred from the general inquiry queue to the adjudication queue.

³¹ Although the Department started tracking this data monthly in January 2024, the Department did not track this data on a daily basis until May 2024. Additionally, although the Department's data includes the total number of calls during this time frame for which the system provided the status of a caller's claim, this data may not represent unique callers because an individual could make multiple calls to the UI call center throughout their claim to obtain information on their claim status.

³² Although the UI Program tracks the daily average wait times for callers to reach Department staff, its metric for doing so does not include the wait times experienced by callers who did not reach Department staff, such as those who disconnected before their call was answered. As such, the daily average amount of time that callers spent waiting in each queue, regardless of whether they reached Department staff, is unknown. See Finding 2, page 51, for more information about our review of the UI call center's data and how limitations with this data impact the Department's ability to assess the extent of UI Program access barriers.

Our review and analysis of UI call center data for a 2-month period in 2023 compared to the same period in 2024 found that since the Department made these changes, the total number of calls that were transferred from the general inquiry queue to the adjudication queue decreased from 10,985 of 144,227 inbound calls received in April and May 2023—or approximately 8%—to 1,166 of 63,756 inbound calls received in April and May 2024—or approximately 2%. However, our review of 4 randomly selected calls from April and May 2024 in which the callers were transferred from the general inquiry queue to the adjudication queue found that the callers were not offered the option of receiving a callback or provided their estimated wait times after being transferred.³³ Additionally, 3 of these 4 callers waited more than an hour to speak with an adjudicator after being transferred, with a maximum wait time of more than 2 hours. After we shared our initial findings with Department leadership, the Department reported that it modified its call-routing system in February 2025 to provide callers with their estimated wait times and the option of receiving a callback after being transferred from the general inquiry queue to the adjudication queue.

However, despite the decrease in UI call center call volumes and average wait times in calendar year 2024, and the Department implementing some call-routing system functionality to help alleviate the impacts of and reduce caller wait times, as shown in Table 6 (see page 42), our review and analysis of UI call center metrics found that maximum wait times for both UI call center queues exceeded an hour more often in calendar year 2024 compared to calendar year 2023.

Specifically:

- Maximum wait times for the general inquiry queue were more than an hour for 48% of the days the UI call center received calls during calendar year 2023 but rose to nearly 70% of the days it received calls during calendar year 2024.
- Maximum wait times for the adjudication queue were more than an hour for 65% of the days it received calls during calendar year 2023 but rose to 87% of the days it received calls during calendar year 2024.

According to the Department, long call wait times have persisted due to the complexity of calls that were routed to the adjudication queue after the call-routing system changes and a decrease in staff assigned to the UI call center; however, the Department lacked documentation to demonstrate how staff shortages led to long call wait times (see next paragraph for more information about Department-reported staffing shortages).

³³ We reviewed 2 random samples of UI call center calls that were transferred from the general inquiry queue to the adjudication queue as follows: 2 of 284 transferred calls in April 2024 and 2 of 305 transferred calls in May 2024 (see Appendix B, page b-2, for additional information about how we selected these samples).

Table 6

Percentage of days that maximum wait times exceeded 1 hour increased from calendar year 2023 to calendar year 2024, despite reduced call volumes and Department's call-routing system changes in 2024

Percentage of days that maximum wait time fell within the indicated ranges ^{1,2}				
General inquiry queue		Adjudication queue		
2023	2024	2023	2024	
1 hour or less				
0-1 hour	52%	31%	35%	13%
Subtotal	52%	31%	35%	13%
1+ hours				
1-2 hours	48%	62%	38%	79%
2-3 hours	0%	7%	20%	6%
3+ hours	0%	0%	7%	2%
Subtotal	48%	69%	65%	87%

¹ Although the UI Program tracks some data on caller wait times, such as the maximum wait time and the average wait time for callers to reach Department staff, it did not have a metric for how often or how many callers experienced long call wait times. See Finding 2, page 51, and recommendation 19, page 55, for more information about our review of the UI call center's data; see footnote 32, page 40, for more information on the UI Program tracking average wait times for callers to reach Department staff.

² This data includes callers who waited in a queue to speak with call center staff, including callers who opted to receive a callback in lieu of waiting on the phone to speak with call center staff. This data does not include callers who obtained the status of their claim from the call-routing system after entering their Social Security number and did not wait in a queue.

Source: Arizona Auditor General staff review of UI call center metrics for general inquiry and adjudication phone calls in calendar years 2023 and 2024.

► **Department believes some calendar year 2023 calls to the UI call center went unanswered because of staff inexperience and shortages, but lacked documentation to demonstrate how these issues contributed to unanswered calls**

According to the Department, staff inexperience and shortages may have contributed to some UI call center calls in calendar year 2023 going unanswered because inexperienced staff may take longer to handle calls or provide inaccurate information during calls, leading to subsequent calls from callers. Specifically, the Department reported that in calendar year 2023, it moved experienced staff out of the UI call center and reassigned them to work on adjudicating eligibility issues and issuing claimant eligibility determinations, as well as other complex tasks.³⁴ The Department reported that this resulted in less-experienced staff answering inbound calls to the UI call center, and these staff may have taken longer to handle calls. Additionally, although the Department reported providing

³⁴ As discussed in the Introduction, page 14, although some adjudicators answer inbound adjudication calls to the UI call center, the majority of these staff adjudicate eligibility issues and issue claimant eligibility determinations outside of the UI call center.

new staff with training and its UI call center procedures for answering inbound phone calls, the Department reported that these staff members could have provided inaccurate information, leading to callers making additional calls to obtain accurate information and increasing call volumes. However, although the Department provided data for how long staff had been working in their roles as of calendar year 2023, its data does not provide information on the experience levels of staff based on the work they were responsible for performing, including answering UI call center calls.³⁵

Further, the Department reported that after reassigning its more experienced staff from the UI call center to other responsibilities, it hired temporary staff to backfill these positions. However, although the Department provided data on the average number of staff for the UI call center, its data does not identify how many of these staff were temporary. Additionally, the Department's calendar year 2023 vacancy data included positions it does not intend to fill, and as such, the number of vacancies the UI call center had in calendar year 2023 is unknown.³⁶

► **Department attributed inconsistent terminology to historical name changes to Arizona@Work offices and stated it was unaware of potential confusion with its website and materials**

According to the Department, the name of Arizona@Work offices has changed over time, which has led to the Department's website, UI Program materials, and other UI Program information not using consistent terminology when directing claimants to these offices. In addition, until we informed the Department, it was unaware that some of its documents did not clearly explain the types of assistance available at the Arizona@Work offices or that its website and wage statements contained inconsistent and conflicting information. In March 2025, the Department reported that it was working to update the information provided on its website but reported that changes to its various materials would not be completed until it implements its new UI Program IT system (see Introduction, page 12, and Finding 2, pages 46 and 47, for additional information about its IT system modernization).

Recommendations to the Department for providing consistent, accurate, quality, and timely customer service

Develop or continue to develop and implement written policies and procedures that outline:

1. The number of calls UI call center and BPC supervisors should review each month, including time frames for completing the reviews.

³⁵ In the data it provided, the Department identified how long staff had been working in their roles based on the respective job position codes for these roles. However, our review of the data found that the job position codes could apply to staff working both within and outside of the UI call center. For example, the same job position code is used for adjudicators who work within and outside of the UI call center as well as special projects and other benefits staff, as discussed in the Introduction, page 14. As such, because of these data limitations, we are unable to assess the experience levels of UI call center staff in calendar year 2023.

³⁶ The Department reported that as of March 2025, its vacancy data included vacancies for temporary positions that were added in response to the COVID-19 pandemic, even though the Department does not intend to refill those positions. The Department further reported that it was in the process of determining the number of vacancies it intended to fill.

2. Methods for selecting staff calls for review, such as randomly selecting calls, using a risk-based and/or judgmental selection, or using a combination of selection methods.
3. Requirements and time frames for following up with staff to correct identified deficiencies, including guidance for when to provide coaching, additional training, and/or discipline, as appropriate.
4. Requirements, time frames, and guidance for UI and BPC call center staff to perform callbacks, including when calls disconnect midconversation and when callers request a callback.
5. Customer service steps and guidance for BPC call center staff when answering BPC calls that are consistent with UI Program customer service procedures.

Evaluate customer service quality by:

6. Continuing to review, analyze, and take steps to improve its call center customer service metrics, such as call wait times and the number of calls answered or transferred, including investigating and correcting issues that are hindering improvement.
7. Continuing to identify, revise, and implement UI call center call-routing system changes for reducing caller wait times and assisting more callers.
8. Continuing to revise and implement BPC call center staff training to include new staff listening to recorded inbound calls independently and shadowing experienced BPC call center staff as they answer phone calls, and requiring BPC supervisors to listen to calls that new call center staff answer during their first 2 weeks of taking calls.
9. Develop and implement a documented process, including written policies, procedures, and/or guidance, for analyzing data to inform staff-allocation decisions, such as analyzing data on staff experience levels and number of staff vacancies, to help ensure the UI call center maintains sufficient experience and staffing levels.
10. Continue to revise the Department website, UI Program materials, and other relevant information to use consistent terminology when directing claimants to Arizona@Work offices and clearly explain the types of assistance available at the Arizona@Work offices, including explaining that Arizona@Work office staff do not provide assistance with UI Program questions or concerns.
11. Revise the Department website and wage statements to provide consistent information and direction to claimants about the time frames for submitting a wage protest.

Department response: As outlined in its [response](#), the Department agrees with the finding and will implement or implement in a different manner the recommendations.

Inconsistent with federal regulation and recommendations, Department has not analyzed UI Program data and information to identify potential access barriers and discrimination, impacting its ability to implement UI Program improvements, including planned modernization, and increasing risks to claimants

Department has not analyzed UI Program data to identify potential systemic discrimination as required by federal regulation because it was unaware of its responsibility to do so and has delayed conducting an assessment that could help it comply with the requirement and implement federal recommendations for analyzing data and information to identify and address UI Program access barriers

Federal regulation requires state UI agencies, including the Department, to collect claimant demographic data, including their race/ethnicity, sex, age, limited English proficiency, preferred language, and disability status, and to analyze the data to identify and investigate possible indications of systemic discrimination, such as identifying and investigating any statistically significant differences related to accessing UI program benefits between specific populations (see textbox on page 46 for more information about this requirement and DOL guidance and recommendations for implementing it).¹ The Department requests demographic information from claimants through its initial UI application form, as required by federal regulation.² However, as of February 2025, the Department had not analyzed the claimant demographic data it collects to identify and investigate possible indications of systemic discrimination, as required.³

The Department was unaware of its responsibility to analyze demographic data despite DOL issuing guidance to state UI agencies for doing so in 2014 and again in 2023. Specifically, in October 2024, when we asked the Department how it was complying with the requirement to analyze claimants' demographic data, Department management responded that they were researching whether the data analysis outlined in federal regulation was mandatory or recommended for the UI Program. Subsequently, DOL officials we contacted later that month confirmed that the Department is required to comply with the federal regulation for collecting and

¹ 29 Code of Federal Regulations (CFR) 38.51.

² The Department's initial UI application form requests claimants to provide specific personal and demographic information, including their name, Social Security number, address, previous place(s) of employment, age, educational level, gender, race, ethnicity, primary language, and disability status.

³ The Department established procedures for investigating and resolving complaints and other feedback it receives concerning the UI Program, which may include reported access barriers and/or concerns related to discrimination. However, according to these procedures, the Department handles these complaints/concerns on a case-by-case basis, and our review of the Department's UI Client Advocate complaint data found that it does not include a systematic process, such as tracking and reviewing complaint and other information to identify possible indications of systemic discrimination (see page 51 for additional information about the Department lacking complaint-tracking information).

analyzing claimant demographic data to identify and investigate possible indications of systemic discrimination.

Department responsible for collecting and analyzing claimant demographic data for possible indications of systemic discrimination, consistent with federal regulation

29 CFR 38.51 requires state UI agencies to collect claimant demographic data and conduct statistical or other quantifiable data analyses to demonstrate UI program compliance with nondiscrimination requirements in federal law. Since 2014, DOL has issued multiple guidance documents indicating that a key aspect of complying with the federal requirement should be identifying and addressing where certain people may be facing disproportionate barriers when trying to access UI benefits, such as individuals with low literacy levels or individuals living in rural areas who may not have access to technology. For example, DOL recommends that state UI agencies review available technology and nontechnology-based access points, including web-based, telephone, and in-person options, and evaluate how different populations use them to determine which individuals or populations may experience barriers utilizing technology to access the UI program (see pages 52 through 54 for more information on DOL's recommendations).

Source: Auditor General staff review of 29 CFR 38.51; U.S. Department of Labor (U.S. DOL). (2014). *Collection and analysis of claimant demographic data*. (Unemployment Insurance Program Letter No. 11-14). Retrieved 7/16/2024 from https://www.dol.gov/sites/dolgov/files/ETA/advisories/UIPL/2014/UIPL_11-14.pdf; U.S. Department of Labor (U.S. DOL). (n.d.). *Unemployment Insurance: Equitable access toolkit*. Retrieved on 8/5/2024 from <https://www.dol.gov/agencies/eta/ui-modernization/promising-practices/equity-toolkit>; and U.S. DOL, 2023.

When we informed the Department of the confirmation from DOL and asked if and how it would implement the federal requirements, the Department reported that it planned to review the federal requirements and ensure that it incorporates them in an assessment it is required to conduct as part of its efforts to modernize the UI Program. Specifically, as discussed in the Introduction, pages 12 and 13, the Department received a \$400,000 federal award to conduct an assessment of the UI Program to identify existing access barriers or potential discrimination and ensure that any identified deficiencies are resolved through its modernization efforts.⁴ According to Department documentation, the Department planned to complete the assessment and develop associated corrective actions by May 2023 as part of its new UI Program IT system. However, despite initiating the assessment in late 2022, as of November 2024, Department management reported that the Department had not yet completed the assessment because the Department prioritized other UI Program improvements over the assessment, such as changes to its call-routing system and implementing its new UI Program IT system (see Finding 1, pages 40 through 42, for more information about changes the UI Program made to its call-routing system). Additionally, the Department received approval to extend the deadline for completing the assessment and its new UI Program IT system to March 2025, despite commencing its new UI Program IT system development in May 2023 with a planned implementation date of October

⁴ According to Department grant documentation, the required assessment includes evaluating the full scope of available data within the Department to identify and correct any data limitations that hinder the Department's ability to identify potential barriers or discrimination for accessing the UI Program. In addition to the required assessment, the Department also plans to develop reporting capabilities for its staff to analyze the collected data and generate reports for review by the Department or other relevant stakeholders and facilitate ongoing monitoring and evaluation of potential access barriers and discrimination.

2024.⁵ As of February 2025, the Department had not yet expended any of the \$400,000 it was awarded and submitted another request to DOL to extend the deadline for completing the assessment and the new UI Program IT system. In March 2025, DOL approved the Department's request to extend the deadline to March 2026.

Failure to analyze UI Program data for potential access barriers and systemic discrimination hinders the Department's ability to identify and correct potential deficiencies when developing its new UI Program IT system, increasing the risk of poor IT project outcomes and loss of federal grant monies, and perpetuating potential claimant confusion and harm we identified

The Department's failure to analyze claimant demographic data to identify and investigate possible UI Program access barriers and systemic discrimination limits its ability to incorporate corrective actions for any identified deficiencies into its development of its new UI Program IT system, which is a requirement of the grant it received to pay for the assessment. This failure to address potential issues while developing the system also increases the Department's risk of incurring additional IT project costs and having system functionality problems if its planned assessment identifies corrective actions that must be made to the IT system after the Department and its contractor have completed its development and implementation (see Arizona Auditor General report 23-104 *Arizona Department of Administration—Arizona Strategic Enterprise Technology Office (ASET) IT project oversight*, Finding 1, pages 8 through 11, for more information about risks to IT project success, including budget or schedule overruns and outstanding functionality limitations or technical issues after IT project implementation).⁶ Further, failure to complete the planned assessment within the time frames established in its federal grant agreement could result in a loss of the \$400,000 federal grant monies the Department was awarded.

In addition, our work to assess the Department's provision of UI Program customer service identified some potential UI Program access barriers and associated claimant impacts. According to DOL, state UI agencies should endeavor to identify populations in their states that may be facing disproportionate barriers when trying to access UI benefits because some access barriers could have a discriminatory impact on certain populations, even if they are not expressly implicated or targeted for different treatment.⁷ As such, the potential UI Program access barriers and associated claimant impacts we identified could be perpetuated and could have a discriminatory impact if left unaddressed as the Department moves forward with its IT system modernization.

⁵ The Department did not meet its October 2024 planned implementation date for its new UI Program IT system and revised its planned implementation date to September 2025.

⁶ Arizona Auditor General report 23-104 *Arizona Department of Administration—Arizona Strategic Enterprise Technology Office (ASET) IT project oversight*.

⁷ In guidance that DOL issued to help state UI agencies improve UI program access, DOL indicated that the nondiscrimination laws that apply to state UI agencies prohibit discrimination on both disparate treatment (i.e., intentionally treating members of protected groups differently based on their protected status) and disparate impact (i.e., the use of policies or practices that are neutral on their face but have a disproportionate impact on members of protected groups).

For example:

► **Claimants regularly visit Arizona@Work offices seeking in-person assistance despite these offices not offering in-person assistance**

As discussed in Finding 1, pages 36 and 37, Arizona@Work office staff reported to us that claimants regularly visit their offices for a variety of UI-related assistance and regularly express frustration at not being able to receive claim-specific assistance in person. For example, Arizona@Work office staff reported that UI Program visitors exhibit frustration when office staff are unable to answer their questions about the UI Program and refer them to the UI call center where visitors then report experiencing long wait times. Meanwhile, staff from 1 Arizona@Work office reported that some claimants travel multiple hours to visit their Arizona@Work offices for UI Program assistance.

During the audit in May 2024, the Department distributed a survey to Arizona@Work offices throughout the State to understand why UI claimants visit these offices. Based on the survey results, the Department developed and reported implementing several recommendations for the UI Program to better support UI claimants visiting Arizona@Work offices. For example, in September 2024, the Department developed a process, including written procedures, for providing some in-person assistance at some Arizona@Work offices by having office staff complete identity verification for claimants applying for UI benefits with a paper application. However, as of April 2025, the Department reported that it had not established plans for implementing the remaining recommendations it developed based on the survey results.⁸

Additionally, our review of the Department's survey identified some limitations that could restrict the Department's ability to assess the extent of UI Program access barriers experienced by claimants who visit Arizona@Work offices. For example, the Department's survey captured limited data only for UI claimants assisted during a 2-week period in May 2024, and the Department received survey responses from less than 60%, or 16, of 27 Arizona@Work offices that the Department sent the survey to. Further, our interviews with Arizona@Work office staff identified additional information/concerns not reflected in the survey results, including discrepancies between the survey and information and data staff provided to us about the number of UI claimants assisted at some locations, and office staff concerns with the accuracy and readability of Spanish-translated claimant UI materials.⁹

According to DOL, some individuals may struggle with filing or completing a UI claim independently for a variety of reasons, including but not limited to lack of available

⁸ Examples of these recommendations include providing basic, high-level training on the UI Program to Arizona@Work office staff, developing standardized responses for office staff to address the most common UI-related questions received at Arizona@Work offices, establishing a system for Arizona@Work offices to communicate trends and issues to the UI Program, and standardizing guidelines for Arizona@Work office staff to use when redirecting claimants to the UI call center and UI Client Advocate.

⁹ The Department's survey results indicated that 2 of 7 Arizona@Work offices we interviewed each submitted 1 survey in May 2024, indicating that each office assisted 1 UI claimant during the 2-week survey period; however, both offices reported to us that they provided resources and assistance to UI claimants daily, which is consistent with calendar year 2023 data they shared with us. Specifically, these offices independently maintain visitor data, including data on each occasion they provided resources or assistance to UI claimants. Although these offices use different data-collection and tracking methods, data from both offices indicates that they provided resources or assistance to UI claimants on more than 1,000 occasions in calendar year 2023. Specifically, in calendar year 2023, 1 office provided resources or assistance to UI claimants on 1,193 occasions, or approximately 23 per week, and the other office provided resources or assistance to UI claimants on 326 occasions, or approximately 6 per week.

nontechnology-based methods for accessing UI programs and benefits.¹⁰ Further, as previously discussed (see textbox on page 46), DOL recommends that state UI agencies review and evaluate how different populations use available technology and nontechnology-based access points to identify individuals or populations that may be facing barriers when trying to access UI benefits. Individuals can file initial and weekly UI claims by submitting a paper form via U.S. mail, email, or fax to the Department instead of filing online (see Introduction, page 2, and footnote 11, page 4); however, as discussed, our interviews with Arizona@Work office staff indicated that some individuals reportedly visit Arizona@Work for assistance beyond filing initial and weekly claims, including seeking in-person and claim-specific assistance. As such, although the Department provides a nontechnology-based option to file initial and weekly claims and has taken some steps to better support UI claimants visiting Arizona@Work offices, failure to address this potential barrier could have a potential discriminatory impact on certain populations, such as individuals who have difficulty filing or completing a claim independently.

▶ **Missing information and potentially unclear translations in some Department Spanish-translated documents could potentially confuse claimants**

As previously mentioned, staff at 1 Arizona@Work office we interviewed reported concerns with the accuracy and readability of Spanish-translated claimant UI materials.¹¹ In addition, our review of the Department's Spanish-translated initial UI claim application, weekly UI claim application, basic UI information document, and claimant UI benefits guide found that each of these documents, when compared to the corresponding English version, had potentially unclear translations and missing information that could make it difficult for Spanish-speaking claimants to understand UI Program requirements and guidelines or could impact a claimant's ability to provide accurate information in UI forms.

For example:

- The English version of the Department's weekly UI claim application states "If you did not look for work or meet the required contacts, you will be disqualified until you are reemployed and earn eight times your weekly benefit amount. You have the option to skip filing for the week. If you skip filing for the week you will not receive benefits for the week. You will be able to file next week." However, the Spanish version of this form does not specifically indicate to applicants that they will be able to file the next week.¹²
- Some words in the Spanish version of the Department's weekly UI claim application are missing letters, potentially confusing applicants.

¹⁰ U.S. DOL, 2023.

¹¹ In addition to providing UI Program materials and claimant communication notices in English and Spanish, according to the Department's website, it also provides no-cost language assistance to individuals with limited English proficiency through a variety of methods, including access to bilingual staff, staff interpreters, and local organizations providing interpretation or translation services. Further, as discussed in the Introduction, page 12, as part of its efforts to modernize the UI Program, the Department plans to translate various claimant communication notices and UI Program webpages into the top 5 languages spoken in Arizona, which it identified as English, Spanish, Navajo, Slavic, and Vietnamese.

¹² The Spanish version reads as follows: "Si usted no buscó trabajo ni se comunicó con las personas requeridas, usted será descalificado hasta que tenga empleo y gane ocho veces lo de la cantidad de su beneficio semanal. Usted tiene la opción de declinar a presentar su reclamo semanal. Si no tramita su reclamo, usted no recibirá beneficios por la semana."

- The Department's English version of its claimant UI benefits guide identifies specific categories of wages or circumstances when UI benefits cannot be collected and titles the section as "Wages earned by an Educational Institution, School Bus Contractor, Contract Educational Provider and Charter School." However, in the Spanish version, the section title could be translated to read "Wages Earned by Most School Employees, School Provider Employees, or Private School Bus Contractors."¹³

According to DOL, poor-quality translations could be a barrier to UI program access because some claimants could make errors that can lead to overpayments as a result of misunderstanding questions due to limited English proficiency and complex language.¹⁴ Additionally, GAO's 2016 report on customer service in state UI programs indicated that poor-quality translations can contribute to UI benefit delays or result in erroneous eligibility determinations for claimants.¹⁵ As such, failure to address this potential barrier increases the Department's risk of having a discriminatory impact on certain populations, such as individuals with limited English proficiency.

► **Untimely eligibility determinations delay claimants' receipt of UI benefits, potentially impacting their livelihood**

As discussed in Finding 1, page 22, the Department did not timely adjudicate the majority of eligibility issues in calendar year 2023, which delays UI benefit payments to eligible claimants. Additionally, although the Department took some steps in early 2023 to improve its UI benefit payment timeliness, such as adjusting its workload management system to distribute issue-adjudication work evenly across staff and prioritizing adjudications based on claim age date and available staff, from April to October 2024, the Department continued to untimely adjudicate most claim issues (see Introduction, page 13, for more information about the Department's changes to its workload management system). Specifically, during this time frame, the Department took more than 21 days to adjudicate between approximately 72% to nearly 88% of initial and weekly claim eligibility issues. Further, although the Department's adjudication timeliness improved in November and December 2024, as of December 2024, the Department still untimely adjudicated some claim issues and took more than 21 days to adjudicate 2,671 of 8,185, or approximately 33%, initial and weekly claim eligibility issues.¹⁶

As discussed in the Introduction, page 8, and Finding 1, pages 33 and 34, eligible claimants are entitled to receive timely UI benefit payments, and payment delays are a barrier for claimants who are eligible for UI benefits, which can result in financial or other hardship for these individuals.¹⁷

¹³ The Spanish version reads "Los Salarios Ganados por la Mayoría de los Empleados de la Escuela, Empleados de Proveedores Escolares, o Contratistas de Autobuses de las Escuelas Privadas."

¹⁴ U.S. DOL, 2023.

¹⁵ U.S. GAO, 2016.

¹⁶ As discussed in Finding 1, footnotes 3 and 4, page 22, the UI Program is responsible for adjudicating initial claim eligibility issues within 21 days of identifying the issue and weekly claim eligibility issues by no later than Thursday of the week following the Department's detection of the eligibility issue, which is between 6 and 11 calendar days based on the weekly time frame in which claimants can file a weekly UI claim. Because these 2,671 eligibility issues are for both initial and weekly claims, the remaining 5,514 eligibility issues that were adjudicated in 21 days or less may include some weekly UI claim issues that were adjudicated untimely.

¹⁷ See Finding 1, pages 33 and 34, for more information on financial or other hardships for claimants resulting from payment delays.

► **UI Client Advocate complaints indicate that claimants report experiencing UI Program access barriers when seeking assistance**

As discussed in Finding 1, page 36, the UI Client Advocate staff received a variety of complaints from claimants in calendar year 2023 indicating UI Program access barriers, such as an inability to reach Department staff through its call centers, not receiving timely action or assistance from the Department, and requests for assistance with claims. According to DOL, states should routinely monitor their UI programs, including claimant-reported data and information such as complaints, to identify UI program access barriers or potential discrimination that some individuals or populations experience.¹⁸ However, our review of the UI Client Advocate's complaint data found that the Department does not track or review relevant information for all UI Program complaints it receives—such as number of complaints received, reason for the complaint, number of complaints resolved, and complaint resolution—which could be helpful for identifying and assessing the extent of any UI Program access barriers or potential discrimination that claimants may be experiencing.¹⁹

► **Some claimants experienced UI Program access barriers resulting from call center customer service quality problems, including callers experiencing long wait times and receiving inaccurate and potentially misleading information**

As discussed in Finding 1, pages 23 through 31, in calendar year 2023, Department call center staff did not return some calls, provided inaccurate or misleading information to some callers, and did not answer most of the calls its UI call center received. Some callers also had to make multiple calls to the UI and BPC call centers to obtain assistance and information. Additionally, according to the Department's UI call center data, maximum wait times for both UI call center queues exceeded an hour more often in calendar year 2024 compared to calendar year 2023, despite the Department making changes to its call-routing system in January 2024 to reduce and help alleviate the impacts of caller wait times (see Finding 1, pages 40 through 42, for more information about the Department's changes to its call routing system). Further, our review of UI call center data found that although the UI call center's system tracks some data on caller wait times—specifically, maximum wait times and average wait times to reach call center staff—these metrics do not quantify the prevalence of long wait times, restricting the Department's ability to assess the extent of UI Program access barriers within the UI call center.²⁰

¹⁸ U.S. DOL, 2023.

¹⁹ As discussed in Finding 1, page 36, the Department's Ombudsman categorizes UI Program complaint data by complaint topic and forwards such complaints to the UI Client Advocate for response and resolution. However, the UI Client Advocate does not similarly track this information for all UI Program complaints it receives. Further, although the UI Client Advocate tracks daily complaint workload for each staff member, its method for doing so prevents it from identifying the total number of unique complaints received. As such, this limits the Department's ability to identify and assess the extent of any UI Program access barriers or potential discrimination that claimants may report experiencing.

²⁰ Maximum wait time for each day tracks the maximum amount of time that a caller spends waiting in the queue before connecting with call center staff or abandoning the call. However, this metric does not reflect how many callers experienced maximum or near-maximum wait times. Further, because calculations to obtain an average include outlier values, such as the minimum and maximum, average wait time may not accurately represent the wait time experienced by most callers.

► **Some claimants who received PUA program benefits potentially did not receive time-sensitive PUA program notices, including overpayment determination letters**

Although the Department's process for informing claimants or employers of a claim determination involves sending UI Program notices, including overpayment determination letters, through the mail, the Department did not send physical overpayment determination letters through the mail for the PUA program (see Questions and Answers, Question 4, pages 61 through 65, for more information about overpayments; see Introduction, page 1, for more information about the PUA program). Instead, the Department used its PUA IT system portal and claimants' preferred method of notification—email or text—to notify claimants that they had a message or document to review. We found and brought to the Department's attention that Department data indicated that 91% of claimants who received a determination letter for fraud and nonfraud PUA overpayments in calendar year 2023 had not read their determination letter in the PUA IT system portal. Specifically, as of August 2024, approximately 43,500 of the more than 47,000 claimants who had an overpayment determination letter had not read their determination letter sent through the PUA IT system portal, approximately 1.5 years to more than 2 years after the PUA program had expired.²¹ Although some claimants who opted to receive email notifications from the PUA IT system portal should have received their PUA overpayment determination letter as an email attachment, other claimants who opted to receive text notifications would have needed to access the PUA IT system portal to obtain and review their PUA overpayment determination letter. These determination letters contain specific information on repayment, claimants' appeal rights, and associated time frames for filing an appeal; as such, some claimants who the Department determined had a PUA fraud or nonfraud overpayment may have missed deadlines to appeal their overpayment.

As part of its UI Program IT system modernization efforts, the Department plans to use a similar notification method by providing notices through a portal in its new UI Program IT system. Although the Department plans to offer claimants the option of selecting a secondary preferred notification method in addition to the system portal, such as through email, text, or mail, claimants will also be offered the option of receiving notifications exclusively through the system portal. However, DOL recommends that state UI agencies use multiple methods to correspond with or notify claimants of important information, including also sending portal correspondence through the mail, because using only 1 method could be a barrier to UI program access for claimants with limited access to and understanding of technology.²²

DOL has issued guidance that could help Department comply with federal data analysis requirements and implement federal recommendations for identifying and addressing UI Program access barriers

As discussed on pages 45 through 47, the Department reported that it plans to comply with the federal demographic data analysis requirement by completing an assessment required as part of its UI Program modernization efforts and anticipates delaying completion of the assessment until

²¹ As previously mentioned in the Introduction, page 1, the PUA program expired on September 6, 2021.

²² U.S. DOL, 2023.

March 2026. As it moves forward with planning and conducting the assessment, to help ensure it meets federal requirements for demographic data analysis to identify and investigate possible indications of systemic discrimination, the Department may find it helpful to review guidance that DOL has issued for state UI agencies to help them develop systems and processes for identifying UI program access problems and developing and implementing action plans for proactive and continuous improvement. For example, as shown in Table 7, DOL recommends that state UI agencies take a variety of actions to identify where claimants, and potentially certain populations, experience challenges or face undue barriers accessing the UI program. DOL has also established a toolkit for state UI agencies to use for developing more accessible UI programs.²³

Table 7
DOL recommendations for identifying potential UI program access barriers and discrimination

Recommendation examples
Consider trends in UI application and reciprocity rates in the state and differences among historically marginalized groups and other groups the state has identified as struggling with UI program access. ¹
Identify populations that struggle with UI program access, including identifying specific steps where individuals or populations may disengage or reach out to UI program staff for assistance.
Identify how long the UI process takes for a typical individual and establish methods to identify individuals or populations for whom the process may take longer and investigate why.
Review available technology and nontechnology-based access points, including web-based, telephone, and in-person options, and evaluate how different populations use them to determine which individuals or populations may experience barriers utilizing technology to access the UI program.
Analyze claims-based data by demographic category and portion of the claimant journey, such as the adjudication and appeals processes, to identify which individuals or populations may experience barriers for filing and maintaining a claim for benefits. ²
Engage community partners that support historically underserved or marginalized populations to assist and provide feedback when developing and implementing technological improvements to the UI program.
Review data and information related to claimant experiences with the UI process and claimant journey, including customer feedback surveys and feedback, to identify where individuals or populations report experiencing barriers to accessing the UI program.

¹ DOL defines UI reciprocity rates as the percentage of unemployed workers who receive UI benefits.

² As previously discussed on page 45, federal regulation requires state UI agencies to analyze claimant demographic data, which includes at a minimum, analyses by race/ethnicity, sex, age, limited English proficiency, preferred language, and disability status, to identify possible indications of systemic discrimination, such as any statistically significant differences in the success rates of claimants who are members of these demographic categories. However, DOL recommends that in addition to the required analysis, state UI agencies should also analyze claims-based data across these demographics throughout various steps of the claimant journey.

Source: Auditor General staff review of U.S. DOL, 2023.

²³ U.S. DOL, n.d.

For example, DOL's toolkit includes steps for:

▶ **Collecting, analyzing, and utilizing data to identify accessibility gaps and developing action plans to address those gaps**

Steps include assessing internal processes for capturing claimant demographic and user experience data, including determining what, when, and how data is collected, stored, and used throughout the UI claim process, to identify data and accessibility gaps. State UI agencies should then establish improvement strategies to mitigate any identified gaps, such as identifying new data points across the UI claim process that are critical for measuring claimant access and user experience, and develop and implement procedures and resources, such as reporting capabilities, to regularly measure and act upon accessibility findings to continuously improve UI program access.

▶ **Determining how and where to provide alternative access points, including nontechnological options, through the UI claim process to improve claimant access**

Steps include identifying populations who are experiencing or may experience technology barriers and where in the claim process those barriers impact the claimant. State UI agencies should use claimant benefit data to determine where claimants abandon claims, stop responding to Department correspondence, and access web-based and offline services. After analyzing access points and identifying gaps, state UI agencies should establish strategies to improve existing access points, including conducting outside user testing and quality assurance before launching improvements and conducting regular monitoring to facilitate continuous improvements.

▶ **Providing language assistance services to improve communications and the overall customer service experience**

Steps include identifying all documents and contact methods containing vital information for translation, identifying the languages into which that vital information should be translated, and determining the capability and cost-benefit of internal staff or vendors translating the vital information. State UI agencies should then recruit diverse participants to provide feedback on translated vital information and make continuous improvements.

▶ **Identifying claimant pain points to make continuous improvements for accessing UI program contact centers, including call centers**

Steps include analyzing internal processes, staff effectiveness, and data-collection and analysis methods to identify claimant pain points and developing and implementing action plans to address those pain points. State UI agencies should also create, publish, and train staff on standard operating procedures; conduct quality assurance tests; and continually measure, check, and act to adjust and fine-tune operations, including compiling data and reporting to UI program leadership so that they may identify trends and areas of improvement and corresponding actions, such as targeting staff training or knowledge gaps.

Recommendations to the Department

- 12.** Analyze claimant demographic data to identify and investigate possible indications of systemic discrimination, as required by federal regulation, and take action to address any deficiencies identified by such analysis.
- 13.** Conduct the required assessment of the UI Program to identify existing access barriers or systemic discrimination and incorporate corrective actions to address any identified deficiencies into Department modernization efforts, including the development of the new UI Program IT system, as required by the federal grant award received in 2022.

To identify existing access barriers or systemic discrimination when implementing recommendation 13, review and evaluate various areas of the UI Program including, but not limited to:

- 14.** Continuing to evaluate the number and characteristics of individuals who seek in-person assistance with various aspects of the UI Program at Arizona@Work offices to identify and implement corrective actions necessary to address potential UI Program access barriers that these individuals experience.
- 15.** Evaluating translated documents and information, including Spanish-translated materials and planned work for translating documents and information into the top 5 languages spoken in Arizona, to ensure that translated materials are accurate and clear.
- 16.** Evaluating the timeliness of UI benefit eligibility determinations, in particular the reasons for untimely eligibility issue adjudication, to identify and implement corrective actions.
- 17.** Developing and implementing a documented process, including written policies, procedures, and/or guidance, for systematically tracking UI Client Advocate complaint data, including receipt and resolution dates, complaint source, complaint topics and/or categories, and action(s) taken to resolve complaints, in a format that facilitates analysis.
- 18.** Developing and implementing a documented process, including written policies, procedures, and/or guidance, for regularly and systematically analyzing UI Client Advocate complaint data to identify and address potential UI Program access barriers or potential discrimination.
- 19.** Evaluating methods for collecting UI call center data to identify and implement performance metrics necessary for assessing the extent of UI Program access barriers within the UI call center, such as tracking and analyzing data on the frequency and prevalence of callers experiencing long call wait times.
- 20.** Evaluating planned methods for communicating important/time-sensitive UI Program information to claimants and incorporate necessary corrective actions

when implementing the new UI Program IT system to ensure that claimants receive information timely, such as requiring claimants to select a secondary preferred notification method in alignment with DOL recommendations for using multiple methods for corresponding with claimants.

- 21.** Conduct a review of relevant federal and State laws and regulations impacting the UI Program to ensure that all UI Program requirements have been identified.
- 22.** Develop and implement processes to comply with all UI Program requirements, including any requirements it identifies when implementing recommendation 21.

Department response: As outlined in its [response](#), the Department agrees with the finding and will implement or implement in a different manner the recommendations.

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Questions and answers

Question 1: How does the Department determine and notify claimants of their monetary eligibility and UI benefit award amount?

The Department uses wage information reported by employers to determine a claimant's monetary eligibility and their UI benefit award amount. Specifically, pursuant to A.R.S. §23-722 and AAC R6-3-1703, employers are required to submit quarterly reports to the Department to report wages paid to each employee during the quarter and include the employee's name and Social Security number (see Introduction, page 5, for more information about employers required to pay UI taxes). When an individual files a claim for UI benefits, the Department's IT system is automated to match the claimant's Social Security number to the quarterly wage data filed by employers and determine whether the claimant is monetarily eligible (see textbox for monetary eligibility requirements). If the claimant is monetarily eligible, the Department's IT system is automated to then calculate the claimant's weekly and total UI benefit amount using the claimant's highest earning quarter from their base period (see Figure 2, page 59, for an example of a claimant's base period). According to A.R.S. §23-779, the weekly UI benefit amount is 4% of the wages the claimant earned in their base period's highest earning quarter, but if that amount is more than \$320, the weekly UI benefit amount is \$320.

To notify claimants of their monetary eligibility and UI benefit award amounts, the Department's IT system develops a wage statement that the Department sends to the claimant via U.S. mail to summarize the claimant's wages earned during their base period as reported by their former employer(s).¹

Monetary eligibility requirements

To meet monetary eligibility for UI benefits, claimants must have worked for an employer who paid State UI taxes, and they must have earned:

- ▶ At least 390 times the Arizona minimum wage in their highest earning base period quarter and a combined total in the other three quarters equal to half the amount of wages in their highest earning quarter, or
- ▶ At least \$8,000 in total wages in at least 2 quarters of their base period, with wages in 1 quarter equal to at least \$7,987.50.¹

¹ According to A.R.S. §23-605, the base period is the first 4 of the last 5 completed calendar quarters from before the UI claim was filed.

Source: Auditor General staff review of A.R.S. §§23-771 and 23-622.

¹ According to Department policy, after initial processing, the Department will add any wages the claimant earned to the claim that are not subject to the quarterly reporting requirements, such as wages earned from the federal government or earned in another state. According to Department staff, the Department becomes aware of these additional wages through a wage protest filed by a claimant (see Question 2, page 60, for more information about wage protests).

If the claimant is monetarily eligible for UI benefits, their wage statement will include the weekly and maximum UI benefit award amounts the claimant may receive if they file claims and meet all nonmonetary eligibility requirements during their benefit year. For example, as seen in Figure 2, we reviewed a wage statement for an example claimant whose weekly benefit amount was \$292, which is 4% of the claimant’s highest earning base period quarter rounded to the nearest dollar. The claimant’s maximum UI benefit amount, which is the amount they can receive in total over their benefit year from January 2025 to January 2026, was \$5,657, which is one-third of their total base period wages. If a claimant is not monetarily eligible, the wage statement will inform the claimant why they do not qualify to receive UI benefits.

Figure 2

Example claimant filing UI claim in January 2025 would have a base period of October 2023 to September 2024 to calculate monetary eligibility and UI benefit amount

If a claimant filed for UI benefits in January 2025:

- ▶ Their monetary eligibility would be calculated using the wages earned between **October 2023 to September 2024**, identified as their base period. Any wages earned from **October 2024 to December 2024** would not be considered.
- ▶ Claimants’ weekly UI benefit amounts would be calculated from their base period’s highest earning quarter. As shown below, our example claimant’s highest earning quarter was April to June 2024, and 4% of these wages results in a weekly UI benefit amount of \$292, rounded to the nearest dollar.
- ▶ Claimants are eligible for their weekly UI benefit amount for up to 24 or 26 weeks, depending on the State’s unemployment rate. However, claimants cannot receive more than one-third of their total base period wages. As shown below, our example claimant’s total base period wages totaled \$16,971, and one-third of their total base period wages means that their maximum benefit amount is \$5,657, or approximately 19 weeks of benefits.

Example claimant:

2023	2024					2025			
OCT NOV DEC	JAN FEB MAR	APR MAY JUN	JUL AUG SEP	OCT NOV DEC	JAN FEB MAR				
\$3,406	\$6,269	\$7,296	\$0		Claimant files claim				

Total base period wages: \$16,971

Source: Auditor General staff review of A.R.S. §§23-605, 23-771, 23-779, and 23-780; and a wage statement for a claimant who filed an initial UI claim in January 2025.

Question 2: What can a claimant do if they disagree with the Department's determination of their monetary eligibility or UI benefit award amount?

Pursuant to AAC R6-3-1803, if a claimant believes their wage statement is inaccurate, such as if they believe it is missing wages or includes wages that they did not earn, the claimant can file a wage protest with the Department. The Department's wage statement and website instructs claimants to file a wage protest by contacting the UI Program or submitting a wage protest form found on the Department's website to the Department by fax or email within 10 working days of the statement date.² The Department's wage protest form requires claimants to provide information related to their prior employment, such as their employer's name and address, supervisor's name, hire date, and termination date.³ Additionally, according to the Department's website, the claimant should provide copies of tax records and pay stubs to support their wage protest. According to Department procedures, to investigate a wage protest, Department staff should review Department data and the claimant's supporting documentation but may also contact employers or request proof of earnings from the claimant. If the investigation determines the wages should be modified, the Department should issue a revised wage statement to the claimant. However, if the investigation does not support a wage modification, the Department should send the claimant a determination letter explaining the reason why no change is supported and additional information for appealing the determination (see Question 7, pages 69 through 72, for more information on appealing determinations). Department procedures require the Department to complete wage protests within 14 days. According to Department data, the Department investigated 2,288 wage protests in calendar year 2023.

Question 3: What are eligibility issues, and what is the Department's process for resolving them?

Eligibility issues occur when the Department receives information from a claimant, an employer, or another source that has the potential to affect a claimant's past, present, or future eligibility to receive UI benefits. For example, a claimant's employer might protest a claim and provide information that results in a monetary eligibility issue, such as the employer stating the claimant was not an employee as defined by A.R.S. §23-613.01 but was an independent contractor.⁴ An employer might also protest a claim and provide information that could lead to a nonmonetary eligibility issue, such as the employer stating the employee was discharged for willful or negligent misconduct, which is a disqualification for UI benefits in accordance with A.R.S. §23-775. Alternatively, a claimant might provide information in their initial or weekly UI claim that indicates they may not meet 1 or more nonmonetary eligibility requirements for UI benefits, such as

² Although the Department's wage statement and website instructs claimants to file wage protests within 10 business days of receiving a wage statement, AAC R6-3-1803 allows claimants to file a wage protest at any time during their benefit year (see Finding 1, page 33, for issues we identified, including inconsistencies with information on the Department's website, wage statement, and rule for time frames for filing a wage protest). Pursuant to A.R.S. §23-609, a benefit year is a 1-year period starting the Sunday of the week a claimant filed their first claim for UI benefits.

³ The Department requires the claimant to submit a separate wage protest form related to each employer for which the claimant is protesting the reported wages.

⁴ A.R.S. §23-772 requires the Department to promptly notify a claimant's most recent employer of the UI claim filing and the employer has 10 business days to protest payment to the claimant (see Introduction, page 2, for more information).

stating in their claim that they are unable to work, which is a requirement to receive UI benefits in accordance with A.R.S. §23-771.⁵

Pursuant to A.R.S. §§23-771 and 23-773, eligibility issues require adjudication in order for the Department to determine whether a claimant is eligible for UI benefits. Department adjudicators obtain the facts necessary to issue a determination and resolve the eligibility issue. The Department's adjudication process may involve conducting fact-finding interviews to obtain statements and information from the claimant, employer(s), or a third party, and may include reviewing available documentation. Additionally, for some monetary eligibility issues, adjudication may require an investigation by the Department's UI Tax unit to issue a determination, such as if an employer alleges the claimant's employment should be excluded from or exempt from UI Program coverage.

Claimants are not eligible to receive UI benefits if they have open eligibility issues. According to the Department, after it resolves all eligibility issues, claimants who were determined eligible will receive all of their weekly UI benefit payments for which they filed a claim within 24 to 48 hours from the determination date, as long as the claimant remained unemployed, filed their weekly UI claim(s), and no further eligibility issues were identified.

Question 4: What are overpayments, and how do they occur?

An overpayment of UI benefits occurs when a claimant has already received benefits and the Department later determines the claimant was either not eligible for the UI benefits or not entitled to the amount of benefits that they received (see textbox, page 62, for the top 5 overpayment causes of calendar year 2023).⁶

The Department classifies overpayments in 3 categories, as follows:

▶ Administrative

These overpayments occur through no fault of the claimant, such as by Department or employer error. For example, for 1 overpayment case we reviewed, a Department adjudicator determined the claimant was not eligible for UI benefits but made an error entering the disqualification date into the Department's IT system. As a result, the claimant was inaccurately marked as eligible for 1 week of UI benefits and was subsequently overpaid the 1 week when they should have been disqualified. Administrative overpayments are eligible for a repayment waiver (see Question 5, pages 65 and 66, for more information about waiving administrative overpayments).

⁵ In addition to the claimant and employer responses, Department staff can identify potential eligibility issues during their investigations of UI claim accuracy (see Question 8, page 73 and 74, for more information about UI claim accuracy investigations).

⁶ The Department's requirements for identifying and establishing overpayments, including establishing penalties for fraudulent overpayments, remained the same between the UI Program and for the PUA program.

Top 5 causes of overpayments in calendar year 2023

Unreported earnings: These overpayments occur when a claimant has received UI benefits but the Department later determines the claimant earned wages they did not report to the Department, making them ineligible for the benefits they received. According to A.R.S. §23-779, unemployed claimants will receive their weekly UI benefit amount when eligible, minus any wages earned in excess of \$160.

Voluntary quit: These overpayments occur when a claimant has received UI benefits but is later disqualified because the Department determines they left employment voluntarily without good cause in connection with the employment, which is grounds for disqualification pursuant to A.R.S. §23-775.¹

Discharge: These overpayments occur when a claimant has received UI benefits but is later disqualified for benefits because the Department determines they were discharged from employment for willful or negligent misconduct connected to the employment, which is grounds for disqualification pursuant to A.R.S. §23-775.²

Paid for waiting week: These overpayments occur when the Department determines that a claimant earned wages during their UI benefit waiting week.³ Claimants cannot earn wages equal to or greater than their weekly benefit amount during their waiting week. According to the Department, when this occurs, the claimant's next eligible week during which benefits were paid would then be considered the claimant's waiting week, and the benefits they were paid for that week are considered an overpayment.

Other: These overpayments occurred for various reasons, such as the claimant's wages being revised, thereby revising the claimant's monetary eligibility and causing an overpayment, or when a claim is canceled at the claimant's request.⁴

¹ According to AAC R6-3-5005, "in connection with the employment" means that a condition related to employment caused a worker to leave employment. If the employer changes the conditions or terms of employment, and the changes affect the worker's personal affairs, the worker leaves employment in connection with the employment rather than as a result of personal circumstances.

² According to AAC R6-3-5185, a disqualification for misconduct is assessed only when a claimant's discharge is determined to be in connection with the work, which includes any action by the worker in the course of their duties or committed on the employer's premises during working hours. However, Department rules outline guidance for adjudicators to assess when off-duty conduct could be connected with the work.

³ A claimant's waiting week is the first week for which they file a weekly claim and meet all eligibility requirements during which they do not receive benefits.

⁴ According to AAC R6-3-5475, the Department may cancel a claim that has an established benefit year at the request of the claimant for various reasons, such as if the claimant has sufficient wage credits in another state to qualify for a claim.

Source: Auditor General staff review of A.R.S. §§23-771, 23-775, and 23-779; AAC R6-3-5475; AAC R6-3-5185 and R6-3-5005; Department data on UI Program overpayments established in calendar year 2023; and Department-reported information.

► Nonfraud

These overpayments occur because the claimant unintentionally provided incorrect or incomplete information to the Department. For example, in 1 overpayment case we reviewed, according to the Department, when the claimant initially filed for UI benefits, they reported to the Department that they did not receive any severance pay; however, when the claimant filed their weekly claim for UI benefits, they reported receiving a severance

payment as wages earned, resulting in an eligibility issue. The Department determined through its adjudication process that the claimant was disqualified for UI benefits for the 2 weeks following their last day of employment because of the severance payment the claimant received.⁷ The Department reported that during this 2-week period, the claimant filed 1 valid weekly claim and had received UI benefits, leading to an overpayment. The Department reported in the overpayment determination that the claimant unintentionally provided incomplete or incorrect information or failed to correct the erroneous information. Nonfraud overpayments are not eligible for a repayment waiver.

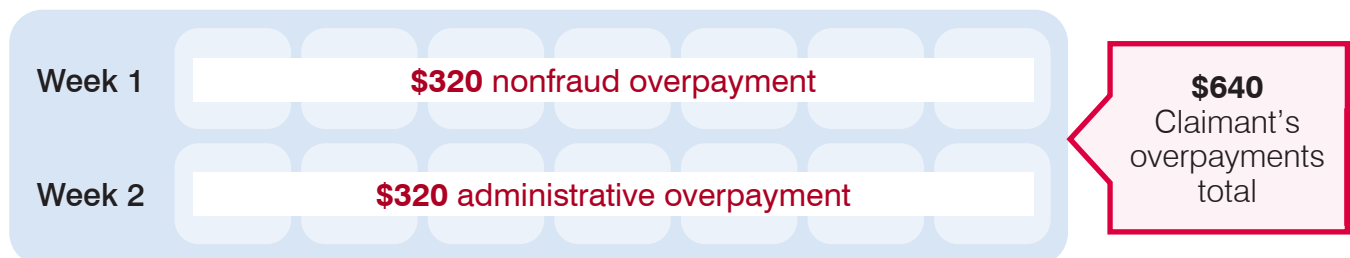
► Fraud

These overpayments occur because the claimant knowingly misrepresented information, or concealed material facts, to obtain UI benefits to which they were not lawfully entitled. For example, in 1 overpayment case we reviewed, according to Department documentation, the claimant reported voluntarily leaving employment due to working conditions, but the Department later determined through its adjudication process and reported in the overpayment determination that the claimant was discharged for being repeatedly late to work, which was an intentional failure to report the correct reason they were no longer employed and a misrepresentation of an important fact. Fraud overpayments are not eligible for a repayment waiver. Additionally, according to A.R.S. §23-787, fraud overpayments are subject to a 15% penalty of the overpayment amount, and the individual is not eligible to receive UI benefits until the total amount of the overpayment and all penalties and interest have been recovered (see Question 6, pages 67 through 69, for more information about collection efforts).⁸

Claimants can have more than 1 overpayment established for their claim(s). Further, the Department reported that because claimants can have more than 1 eligibility issue and each eligibility issue is adjudicated separately, a claimant can have multiple disqualifications that may cause overpayments for different UI benefit weeks. As such, each overpayment could have a different classification because the classification is based on the cause of the overpayment (see Figure 3 for an example of an overpayment with different classifications).

Figure 3

Claimants can have more than 1 overpayment, each with different classifications



Source: Auditor General staff example based on review of Department documentation and interviews with Department staff.

⁷ According to A.R.S. §23-621, an individual is not considered unemployed if the individual is receiving severance pay.

⁸ DOL requires states to apply the same monetary penalties for PUA program fraud overpayments as it does for the UI Program.

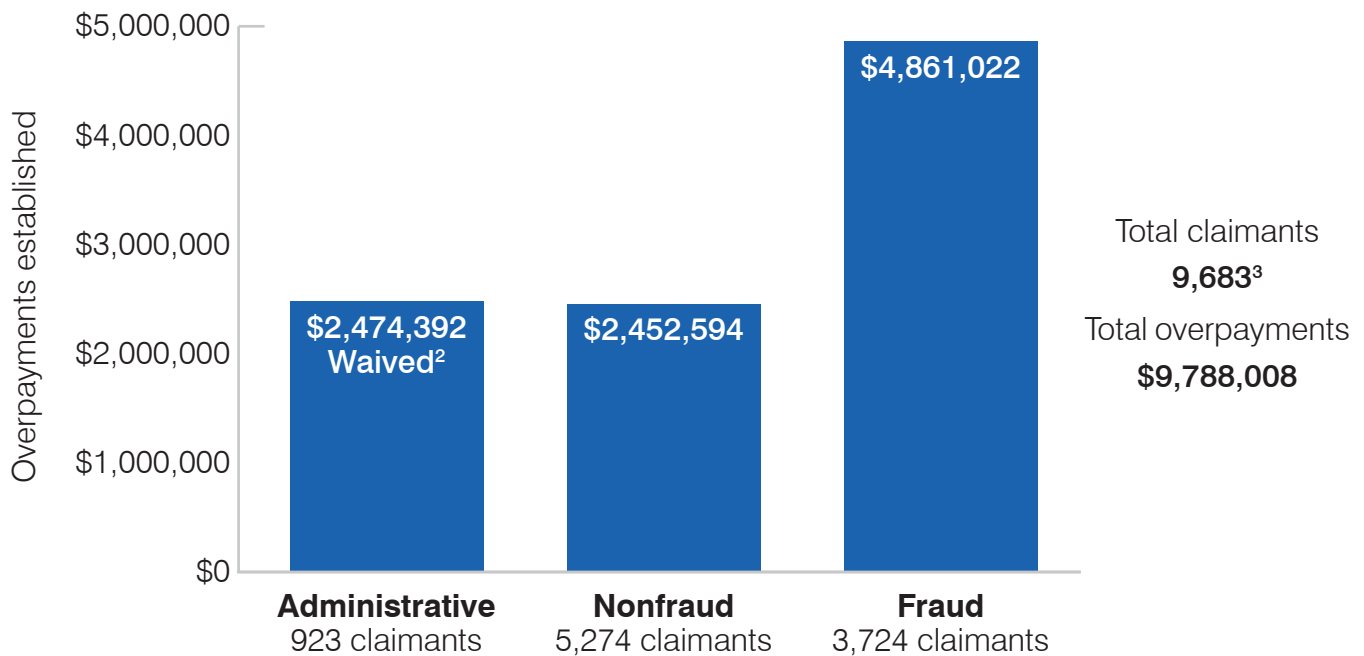
After identifying an overpayment, the Department establishes the overpayment, meaning it is officially recorded in the Department’s system in order to initiate recovery. As shown in Figure 4, Department data indicates that in calendar year 2023, it established almost \$9.8 million in UI Program overpayments, with most of these overpayments being classified as fraud. Additionally, as shown in Figure 5, page 65, Department data indicates that in calendar year 2023, it established more than \$698 million in PUA program overpayments, with most of these overpayments being classified as administrative.

Figure 4

Department established almost \$9.8 million in UI Program overpayments in calendar year 2023

As of February 2025¹

(Unaudited)



¹ Figure 4 presents calendar year 2023 overpayments in the Department’s IT system as of February 2025. However, according to the Department, there may have been additional overpayments established in calendar year 2023 not reflected in this figure because they were canceled due to Department reconsiderations and appeal decisions.

² All UI Program administrative overpayments were waived from repayment (see Question 5, pages 65 and 66, for more information on overpayment waivers).

³ As previously discussed on page 63, claimants may have more than 1 overpayment with different classifications. As such, the total number of claimants with an overpayment will not be equal to the combined number of claimants who had an administrative, nonfraud, or fraud overpayment.

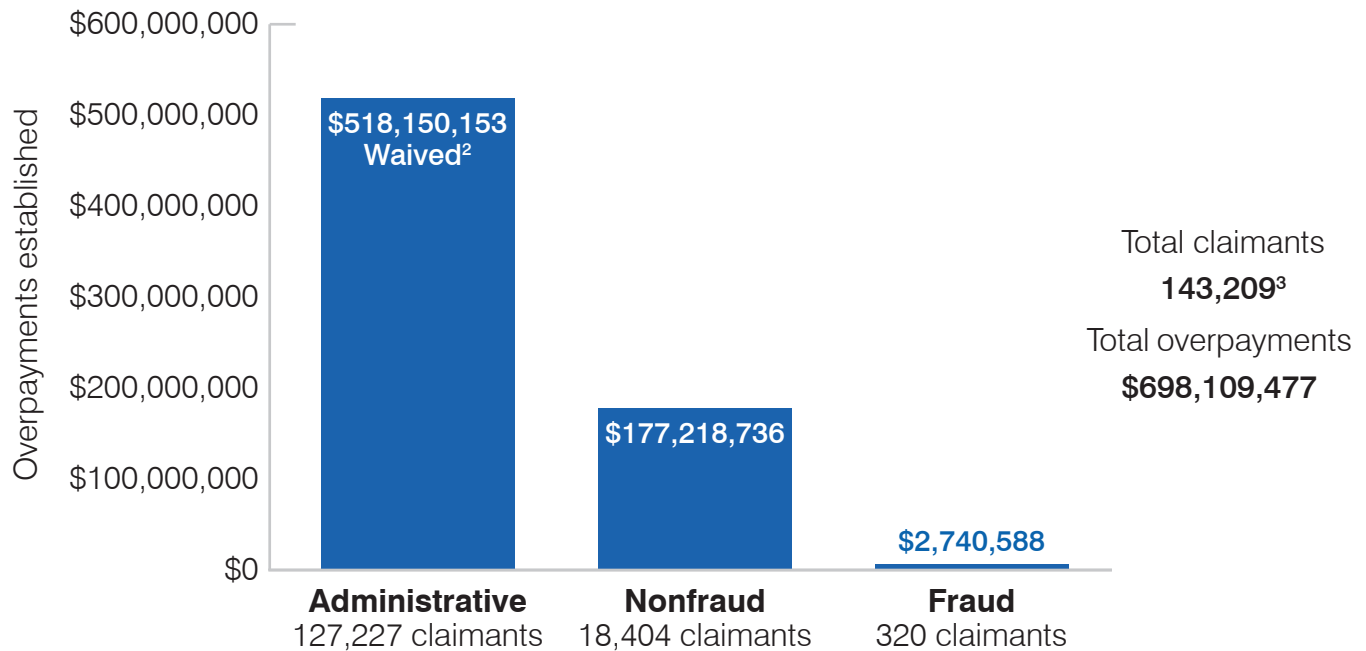
Source: Auditor General staff review of Department data and Department-provided information on UI Program overpayments established in calendar year 2023.

Figure 5

Department established over \$698 million in PUA program overpayments in calendar year 2023

As of January 2025¹

(Unaudited)



¹ Figure 5 presents calendar year 2023 overpayments in the Department's PUA system portal as of January 2025. However, according to the Department, there may have been additional overpayments established in calendar year 2023 not reflected in this figure because they were canceled due to Department reconsiderations and appeal decisions.

² All PUA program administrative overpayments were waived from repayment (see Question 5, pages 65 and 66, for more information on overpayment waivers).

³ As previously discussed on page 63, claimants may have more than 1 overpayment with different classifications. As such, the total number of claimants with an overpayment will not be equal to the combined number of claimants who had an administrative, nonfraud, or fraud overpayment.

Source: Auditor General staff review of Department data and Department-provided information on PUA program overpayments established in calendar year 2023.

Question 5: Can overpayments be waived?

According to statute, the Department may waive all or a portion of an overpayment when the claimant is without any fault for the amount overpaid and repayment would be against equity and good conscience (see textbox, page 66, for criteria the Department has established in line with DOL guidance for identifying repayments that are against equity and good conscience).⁹ Only administrative overpayments, which are defined as having occurred without any fault by the claimant, are eligible for a repayment waiver.¹⁰

⁹ A.R.S. §23-787(C).

¹⁰ If a claimant has a nonfraud or fraud overpayment, their overpayment needs to be reclassified as administrative to be eligible and considered for a waiver. Reclassification can be sought by appealing the overpayment determination (see Question 7, page 69 through 72, for more information on appeals).

Criteria for repayment being against equity and good conscience

According to Department policy, which is based on DOL guidance, at least 1 of the 3 following conditions must be met to determine that repayment of an administrative overpayment would be against equity and good conscience:

1. Repayment would cause financial hardship to the person from whom it is sought. For example, according to DOL guidance, a financial hardship might exist if a review of the individual's income and debt indicates the individual needs much of their current income to meet ordinary and necessary living expenses.
2. The overpayment recipient can show, regardless of their financial circumstances, that they have either relinquished a valuable right or changed positions for the worse. For example, according to DOL guidance, if the individual incurred a financial obligation by signing a lease for a more expensive apartment based on receiving the UI benefit payments, requiring repayment would cause them to be in a worse financial position than if they had not received the UI benefits.
3. Recovery would be unconscionable under the circumstances. For example, according to DOL guidance, it would be extremely unfair to require repayment when the individual was not at fault for receiving the overpayment and requiring repayment would undermine many individuals' financial stability and the purposes for which the benefits were paid.

Source: Auditor General staff review of Department policy and U.S. Department of Labor (U.S. DOL). (2022c). *Additional state instructions for processing waivers of recovery of overpayments under the coronavirus aid, relief, and economic security (CARES) act, as amended*. (Unemployment Insurance Program Letter No. 20-21, Change 1). Retrieved 7/23/2024 from <https://www.dol.gov/agencies/eta/advisories/unemployment-insurance-program-letter-no-20-21-change-1>

According to Department procedures, BPC staff establish administrative overpayments in the Department's IT system or PUA portal and, in accordance with Department policy and DOL guidance, can process a waiver of repayment on the claimant's behalf. By doing so, the Department determines that pursuant to statute, repayment would be against equity and good conscience. After establishing the overpayment, the Department sends the claimant an overpayment determination letter that includes a statement that a waiver for repaying the overpayment has been granted. As seen in Figures 4 and 5, pages 64 and 65, the Department waived all UI Program and PUA program administrative overpayments from calendar year 2023.

According to the Department, BPC has steps in place to oversee some overpayment waivers issued. Specifically, the Department reported that BPC supervisors complete 5 quality audits each month for BPC staff, which may include reviewing waived administrative overpayments. The quality audit form for BPC supervisors outlines various metrics for assessing BPC staff when completing the 5 quality audits, including metrics for accurately and timely establishing and waiving overpayments.

Question 6: How does the Department collect overpayment debts, and what does it do with monies collected?

According to A.R.S. §23-787(A), an individual who receives any amount of UI benefits to which they are not entitled is liable to repay the overpaid amount to the Department, including applicable interest and penalties, except for waived administrative overpayments (see Question 5, pages 65 and 66, for information about waivers).^{11,12} Department policy states that collection efforts begin the day after an overpayment has become final (see Question 7, page 69, for more information about appeals and when determinations become final). The Department sends claimants a statement of their account balance by U.S. mail, notifying them of their balance owed. According to the Department's website, claimants can contact the Department to establish a payment plan. The Department accepts credit and debit card payments online, by phone, and through a mobile application, and check or money order by mail.

In addition, the Department also uses the following methods for recovering overpayment debts:

► **Offsetting with State tax refunds or State lottery winnings**

The Department may recover claimants' UI overpayments by offsetting State tax refunds and/or lottery winnings due to the claimant. Specifically, A.R.S. §§42-1122 and 5-575 established programs authorizing the Arizona Department of Revenue and the Arizona Lottery Commission, respectively, to establish liability setoff programs by which State tax refunds and State lottery prize payments can be used to satisfy debts that a person owes to the State. According to the Department, its system automatically notifies the Arizona Department of Revenue of all overpayment debts after they have been collectable for 90 calendar days. If the Arizona Department of Revenue identifies that an overpayment debt matches with an individual who is due a State tax refund, it is required by statute to notify the Department.¹³ Once notified, the Department is required by statute to send the claimant a letter, notifying them that the Department intends to offset the overpayment debt using the claimant's State tax refund and that the claimant has the right to appeal or request a review within 30 days after the physical or electronic mailing of the notice. Additionally, the Department reported that it reports all overpayment debts to the Arizona Lottery Commission monthly. Statute requires the Arizona Lottery Commission to perform a match using this information to identify individuals who are entitled to a State lottery prize payment of at least \$600.¹⁴ If a match is identified, the Arizona Lottery Commission is required to offset the debt from the prize due and notify the individual of their right to an appeal or to request a review. The Arizona Department of Revenue and the Arizona Lottery Commission remit these monies to the Department when matches are identified, and the Department subsequently credits these monies to claimants' overpayment accounts. According to Department data, in calendar year 2023, it collected approximately \$4.9 million and \$556,000 in State income tax offsets for UI Program and PUA program

¹¹ Pursuant to A.R.S. §23-787(G), UI benefit overpayment debts accrue interest at 10% each year. However, according to DOL requirements, states may not apply interest or other collection costs to PUA program overpayments.

¹² DOL requires states to collect PUA program overpayments from claimants, except for administrative overpayments that are waived, similar to UI Program requirements.

¹³ A.R.S. §42-1122.

¹⁴ A.R.S. §5-575.

overpayments, respectively. Further, according to Department data, in calendar year 2023, it collected approximately \$90,760 and \$33,400 in State lottery winning offsets for UI Program and PUA program overpayments, respectively.

► **Offsetting with federal income tax refunds**

In accordance with federal laws and regulations, the Department may recover some UI overpayments by offsetting federal income tax refunds due to the claimant.¹⁵ Specifically, in accordance with federal requirements, the Department refers a debt to the U.S. Department of Treasury if the claimant owes at least \$25, the debt is a result of unreported earnings or is a fraud overpayment, and the debt is past-due and has remained uncollected for 1 year. According to Department policy, the Department refers the debt to the U.S. Department of Treasury only after it has made a reasonable effort to collect the debt for 1 year. Further, the Department is required by federal regulations to notify the claimant in writing of the intent to recover the overpayment balance through an offset of any federal income tax refunds, providing at least 60 days for the claimant to present evidence that all or part of the overpayment is not past due or that the overpayment is not the result of unreported earnings or fraud.¹⁶ According to the U.S. Department of Treasury website, prior to federal payments being issued to individuals, it checks these payments against a database to determine if the individual owes a past-due debt that has been reported. The U.S. Department of Treasury remits the federal payment to the Department when a match is identified, and the Department subsequently credits these monies to claimants' overpayment accounts. According to Department data, in calendar year 2023, it collected over \$8.8 million in federal income tax offsets for UI Program overpayments.¹⁷

► **Offsetting with future UI benefits**

In accordance with federal law and State statute, the Department may recover some outstanding administrative or nonfraud UI overpayments by offsetting UI benefits owed to a claimant.^{18,19} Specifically, according to statute and Department policy, the Department can use up to 25% of a claimant's weekly UI benefit to offset an outstanding administrative overpayment balance.²⁰ This amount increases to 100% of the weekly UI benefit amount for nonfraud overpayment balances.²¹ According to Department data, in calendar year 2023, it recovered approximately \$1.2 million and \$2,900 in UI Program and PUA program overpayments, respectively, by offsetting UI benefits owed to claimants.

¹⁵ 26 USC 6402; 42 USC 503; and 31 CFR 285.8.

¹⁶ 31 CFR 285.8(c)(3).

¹⁷ No federal income tax offsets were collected for PUA program overpayments in calendar year 2023.

¹⁸ 42 USC 503 and A.R.S. §23-787.

¹⁹ As previously discussed on page 63, claimants with a fraud overpayment are not eligible to receive UI benefits until the total amount of the overpayment and all penalties and interest have been recovered.

²⁰ According to A.R.S. §23-787(D) and Department policy, this amount can increase to 50% if the individual previously received UI benefits but has not filed for at least 1 year and has not made a reasonable effort during the 1 year to pay at least \$250 or 20% of the unpaid principal and interest balance, whichever is less. When the percentage increases to 50%, the Department will issue an appealable determination (see Question 7, pages 69 through 72, for more information about appealing Department determinations).

²¹ According to Department policy, claimants with an outstanding nonfraud overpayment balance can request that the Department reduce the offset percentage to 50%. If they are denied, the Department will issue an appealable determination (see Question 7, pages 69 through 72, for more information about appealing Department determinations).

► Seeking a judgment through the Arizona Attorney General's Office

Statute authorizes the Department to pursue civil court action through the Arizona Attorney General's Office to recover a fraud or nonfraud overpayment.²² The Department has developed a checklist that outlines the criteria it reviews before an overpayment is referred to the Attorney General's Office, including that the outstanding principal balance is more than \$1,000; that the claimant is not on active public assistance benefits; that the overpayment debt is at least 90 days old but is not more than 10 years old; and that the claimant has a minimum of 6 months of full-time wages with the same employer and makes a minimum amount of wages based on household size. According to the Department, once obtaining a judgment, it may pursue wage and bank garnishments to collect outstanding overpayments. According to Department data, in calendar year 2023, the Department submitted 103 cases to the Arizona Attorney General's Office and obtained 60 judgments. Department data indicates that in calendar year 2023, it collected approximately \$6,300 from these judgments.

Monies collected for UI Program overpayments are deposited into the Unemployment Compensation Fund whereas monies collected for PUA program overpayments are owed to the federal government. However, as reported in the State of Arizona fiscal year 2023 annual comprehensive financial report and the single audit report, the Department did not maintain accurate records to support UI cash balances reported in the State's financial statements, including amounts owed to the federal government, resulting in a qualified financial statement opinion.²³ Specifically, the Department did not prepare complete and accurate bank listings or reconciliations to support why the Unemployment Compensation Fund's reported cash balance was \$231.1 million less than bank records, but reported these monies consisted of recovered overpayments and/or fraudulent payments of federal UI monies. As such, the State may be required to return approximately \$231.1 million to the federal government if the unreconciled cash consisted of recovered overpayments and/or fraudulent payments of federal UI monies as reported by Department management.

Question 7: What appeal rights do claimants or employers have if they disagree with an eligibility or overpayment determination?

Claimants and employers have the right to appeal Department claim determinations (see textbox, page 70, for examples of claim determinations). Specifically, as shown in Figure 6, pages 71 and 72, in accordance with A.R.S. §23-773 and Department policy, after being notified of a claim determination, claimants and employers have 15 calendar days to either submit a request asking the Department to review and reconsider its determination or to file an appeal. Once 15 calendar days have passed with no reconsideration request or appeal, or after all filed appeals have been exhausted, the determination becomes final.²⁴ Once either the Department reviews the determination and denies the reconsideration request or an appeal is filed, a Department administrative law judge will hold a hearing, allowing the claimant and/or employer to present

²² A.R.S. §23-787(F).

²³ Arizona Department of Administration (ADOA). *State of Arizona—Annual comprehensive financial report: Independent auditors' report, year ended June 30, 2023*, and Arizona Auditor General report *State of Arizona—Single audit report: Auditors' section, year ended June 30, 2023*.

²⁴ A.R.S. §23-773(B).

their case, and will issue a decision. If the claimant or employer disagrees with the administrative law judge's decision, they can further appeal to the Appeals Board within the Department.²⁵ The Appeals Board may send the case back to the administrative law judge for further proceedings or can review the case record, take additional evidence, or rehear the case, and issue a decision that either affirms, reverses, modifies, or sets aside the administrative law judge's decision.²⁶ If the claimant or employer disagrees with the Appeals Board's decision, they can further appeal to the Arizona Court of Appeals.

Examples of claim determinations

Determination of Deputy: Informs the claimant of the determination made by a UI Program deputy (i.e., adjudicator) of whether they are eligible for UI benefits and whether the employer will be accountable for the claimant's UI benefits.¹

Determination of Overpayment: Informs the claimant that they received UI benefits they were not eligible for, resulting in an overpayment of UI benefits. The determination includes the overpayment classification.

¹ As discussed in the Introduction, page 5, the Department collects State UI taxes from employers to pay for claimants' UI benefits. When a claimant receives UI benefits, their former employer(s)' UI tax rates may be impacted.

Source: Auditor General staff review of A.R.S. §§23-773 and 23-727, and examples of claim determinations.

²⁵ According to A.R.S. §23-672, the Appeals Board consists of 3 members, appointed by the Department director, with 1 member being designated as the chairman. According to the Department, all 3 members are Department employees.

²⁶ According to the Appeals Board, it will reverse an administrative law judge's decision when it believes the administrative law judge dealt with the correct issue in the case but reached the wrong result. However, if it finds that the administrative law judge misunderstood the issue in the case or ruled on the wrong issue, the Appeals Board will set aside the administrative law judge's decision and replace it with a new decision. The Appeals Board reported it can also set aside and send the case back to the administrative law judge if it believes the administrative law judge's decision should be voided and the case should be reopened and heard again by the administrative law judge, such as if the Appeals Board reviewed the record and found there were due process violations during the administrative law judge's hearing. Finally, according to the Appeals Board, it can set aside and send a case back to the Department for further administrative review/action, such as if new evidence becomes available for the Department to reconsider.

Figure 6

Department has process for claimants and employers to request appeal or reconsideration of claim determinations, including varying levels of appeals, and in calendar year 2023, Department data indicates it received 18,535 and 2,537 initial UI Program and PUA program appeals, respectively, and 4,843 reconsideration requests¹ (Unaudited)

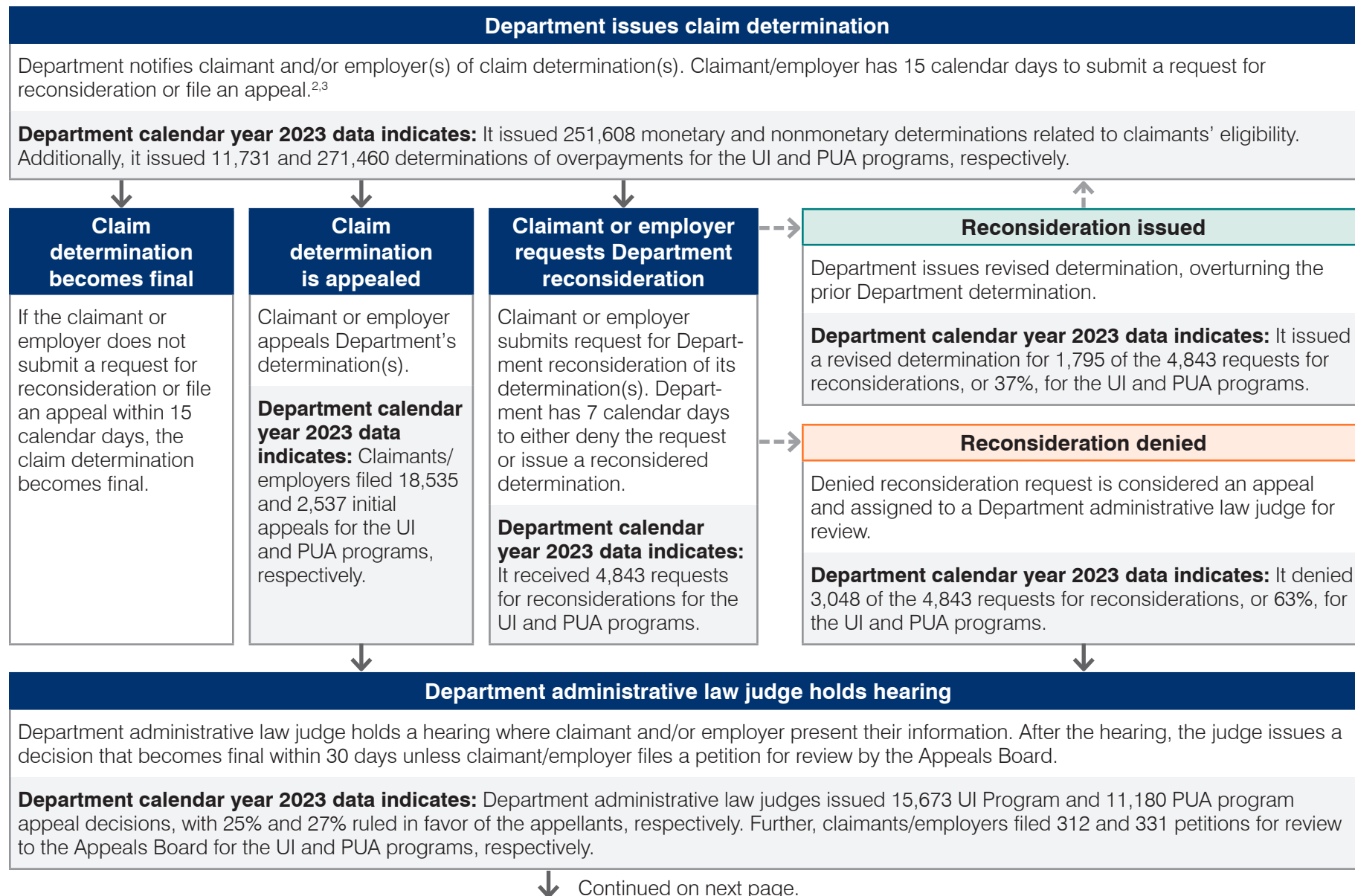


Figure 6 (continued)

Continued from the last step on the previous page:
Department administrative law judge holds hearing



Appeals Board reviews administrative law judge's decision

Appeals Board may send the case back to the administrative law judge for further proceedings or review the case record, receive additional evidence, or rehear the matter and either affirm, reverse, modify, or set aside the administrative law judge's decision.⁴ After claimants and/or employers have reasonable opportunity for a fair hearing, the Appeals Board shall issue its decision.

Department calendar year 2023 data indicates: The Appeals Board issued 803 UI Program and 955 PUA program appeal decisions, with 15% and 16% ruled in favor of the appellants, respectively.



Right to appeal to Arizona Court of Appeals

Claimants and employers can appeal Appeals Board decisions by filing an appeal with the Arizona Court of Appeals within 30 days of the Appeals Board decision mailing date.

Department calendar year 2023 data indicates: There were 197 UI Program and 145 PUA program appeals filed with the Arizona Court of Appeals following an Appeals Board decision.

¹ Figure 6 presents Department data on the number of appeals filed and reconsideration/appeal decisions made during calendar year 2023. Because of the amount of time that can elapse between a claim determination and subsequent steps in the reconsideration and appeals process, this data may not include all decisions for some claim determinations appealed in calendar year 2023 and may also include some decisions for claim determinations appealed in calendar year 2022.

² According to A.R.S. §23-773(E), within the 15-day appeal deadline, the Department may issue a reconsideration on its own accord, such as if it discovers a staff error.

³ According to A.R.S. §23-773(E), the Department may issue a reconsideration after the 15-day deadline expires, but within 1 year of the original determination, if it discovers new evidence that by due diligence could not have been previously discovered and no appeal has occurred or is pending. If the redetermination is based on fraud, the 1-year limitation does not apply. According to the Department, it could learn about new evidence outside of the appeals process through UI benefits supervisors performing quality reviews or through a claimant contacting the UI call center or the UI Client Advocate (see Finding 1, pages 21 and 36, for more information about the UI call center and the UI Client Advocate). For example, the Department reported that a UI benefits supervisor may perform a quality review and find that there was an error or delay in uploading a document to its document IT system that was timely provided by a claimant and it was therefore not taken into consideration by the adjudicator at the time of the determination.

⁴ According to A.R.S. §23-672, a petition for Appeals Board review may be reviewed by 1 member designated by the Appeals Board chair after notifying the interested parties. However, if a claimant and/or employer objects, the case will be heard by all 3 members. If all 3 members cannot reach a unanimous decision, Appeals Board decisions can be issued by 2 concurring members.

Source: Auditor General staff review of A.R.S. §§23-671, 23-672, 23-674, 23-773, and 41-1993; Department data on appeals made to the Arizona Court of Appeals in calendar year 2023; Department data on requests for reconsiderations in calendar year 2023 and the outcomes of the requests; Department data sent to DOL on UI and PUA programs appeal decisions and outcomes in calendar year 2023; Department policy; and appeal decisions.

Question 8: How does the Department investigate the accuracy of UI claims that are paid and claims that are denied?

State UI programs, including the Department's, are required by federal regulations and DOL to establish Benefit Accuracy Measurement (BAM) programs to investigate whether paid and denied claims for the UI program were processed accurately and to determine if their administration of their UI programs is consistent with State and federal law.²⁷ Pursuant to this requirement, the Department's BAM program is required to review and investigate a representative sample of approved and denied claims to assess whether claimants were properly paid UI benefits or were appropriately denied UI benefits, which involves investigating the accuracy of a paid claim's monetary determination and reason for separating from employment, and continuing eligibility requirements, such as verifying that the claimant completed required work searches and was able and available for work. During BAM program investigations, Department staff review UI Program records and interview the claimant, employer(s), and any other relevant parties. For example, BAM program procedures require Department staff to contact the employers that are listed as work search contacts to verify the claimant's work search efforts.²⁸ If an employer provides information that is contradictory to the claimant-provided information, Department staff are required to make at least 3 attempts to obtain a rebuttal and associated documentation from the claimant. Upon completion of the BAM program investigation, Department staff prepare a case summary report that describes the basis for their conclusions when errors were identified. For example, paid claim investigations can lead to eligibility issues that require adjudications and/or determinations of ineligibility and the establishment of overpayments. For 1 case summary we reviewed, the Department found that the claimant did not comply with work search requirements, and as a result, it established a fraud overpayment for this claimant.

DOL requires BAM program investigations to be completed within certain time frames, including 98% of paid and denied claims investigations being completed within 120 days of calendar year-end from the sample, or batch's, week-ending date. However, as reported in the State's fiscal years 2021 through 2023 single audit reports, the Department did not meet all minimum percentage completion rates for paid and denied cases we tested for those fiscal years.²⁹ Further in the State's fiscal year 2023 single audit, for batches of paid and denied claims we tested, we found that the Department did not meet any of the minimum percentage completion rates for paid claims and did not meet the required minimum percentage completion rates within 120 days of the calendar year-end for denied claims (see Figure 7, page 74, for the completion rates for the batches we tested). As a result, the Department was at an elevated risk of not detecting and reporting accurate error rates and the types and causes of benefit payment errors to Department management and DOL. Further, Department management may not have developed and implemented plans for corrective actions to improve its benefit accuracy rates, which DOL requires. As of March 2025, DOL found that the finding was corrected. Further, according to Department data, in fiscal year 2024, the Department met the minimum percentage completion rates for paid and denied cases.

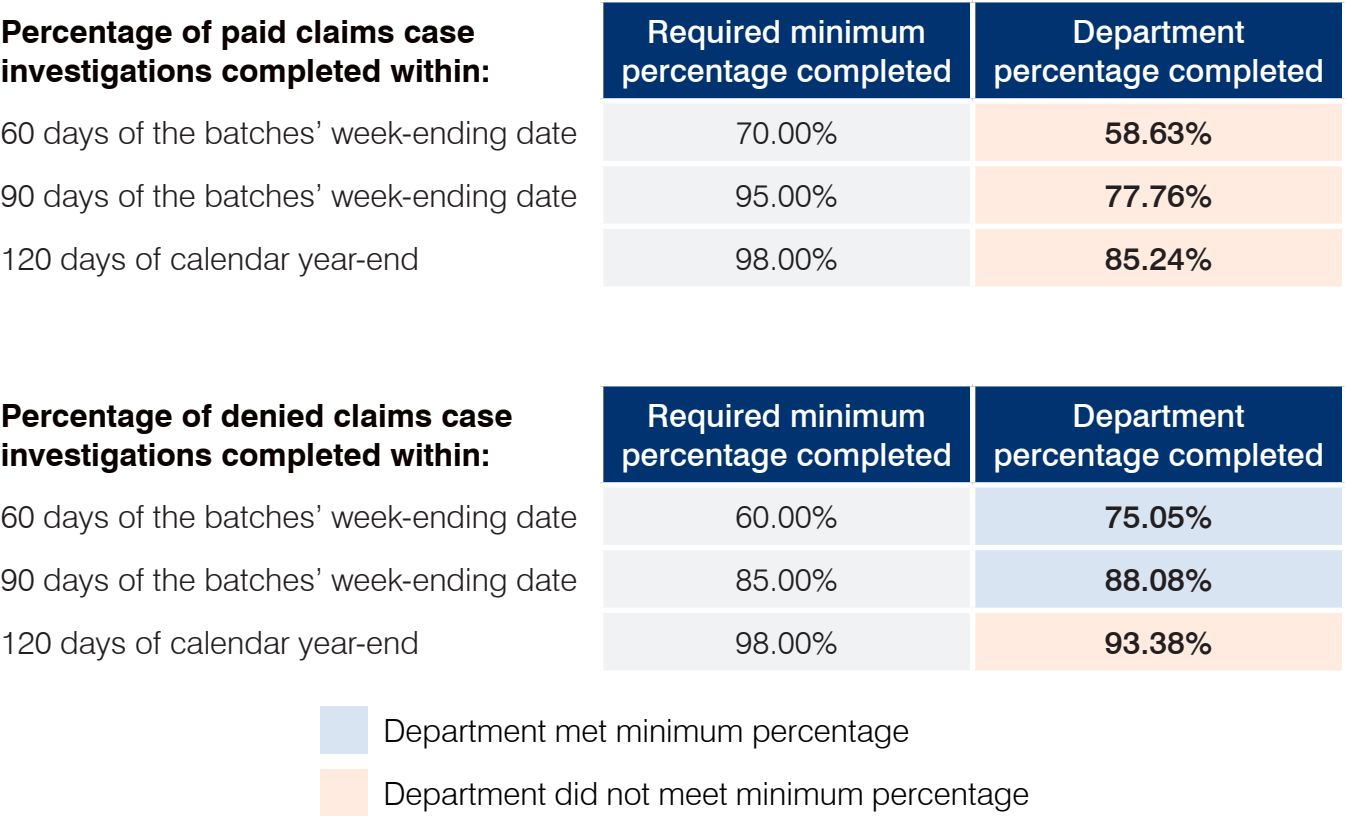
²⁷ 20 CFR 602.21.

²⁸ As previously discussed in the Introduction (see textbox on page 2, footnote 2), claimants are required to be available for and actively seeking work to be eligible for UI benefits, including completing 4 work search contacts per benefit week on 4 different dates.

²⁹ Arizona Auditor General reports *State of Arizona—Single audit report: Auditors' section, year ended June 30, 2021*, *State of Arizona—Single audit report: Auditors' section, year ended June 30, 2022*, and *State of Arizona—Single audit report: Auditors' section, year ended June 30, 2023*.

In accordance with federal regulations, DOL releases BAM program results each year on behalf of the states, and the results from the sample are used to estimate improper payment rates for the entire population.³⁰ According to DOL data, in calendar year 2023, the Department’s BAM program investigations found that in Arizona, an estimated \$19.1 million was overpaid to claimants and \$155,000 was underpaid.³¹ BAM program investigations found that the top 2 causes of the estimated overpayments were related to claimant work-search requirements and reasons for job separation, resulting in estimated overpayments of \$5.7 million and \$3.6 million, respectively. Further, BAM program investigations identified that approximately 66% of the estimated overpayments were attributable to the claimant only, and approximately 14% of the estimated overpayments were attributable to both the claimant and the Department.

Figure 7
In the fiscal year 2023 single audit, we tested batches 202227 through 202326 of paid and denied claims and found the Department did not meet all minimum percentage completion rates



Source: Arizona Auditor General report *State of Arizona—Single audit report: Auditors’ section, year ended June 30, 2023*.

³⁰ 20 CFR 602.21(g).

³¹ According to DOL requirements, improper payment rates reported by BAM programs exclude payments with eligibility issue(s) where the state cannot take action because the determination is considered final under law and therefore considered “technically proper.”

Question 9: What are the Department's processes to identify and prevent improper and/or fraudulent payments?

The Department has established policies, procedures, and processes to help it identify and prevent some improper and/or fraudulent payments of UI Program benefits, including:³²

▶ **Verifying claimant identity before UI claims are filed**

Statute requires the Department to verify the identity of an individual by incorporating an identity verification process to ensure UI Program integrity.³³ According to the Department's website, identity verification is required for new claimants before submitting a claim for UI benefits. For online applications, the Department contracts with a private vendor to perform the identity verification electronically. For paper applications, the Department reported that Department staff manually verify the claimant's identity by first reviewing the claimant's government-issued photo identification and then reviewing whether the claimant's Social Security number was validated (see page 77 for more information on validating Social Security numbers).

▶ **Performing wage audits of UI claimants with available data to identify claimants who may be ineligible for UI benefits**

In accordance with DOL requirements and federal regulations, the Department performs wage audits to identify claimants who have received UI benefits but may be ineligible because the claimant has regained employment and/or earned wages.^{34,35} This process involves sending wage audit notices to employers requesting information about UI claimants they may have hired and wages they may be earning; however, according to the Department, it has not identified any federal or State laws or guidance requiring employers to respond to these notices.

There are 2 types of crossmatches that generate a wage audit:

● **New hire crossmatch**

According to Department procedures, it crossmatches UI claims to national and State new hire data on a weekly and daily basis, respectively, to identify claimants who may have returned to work but are still collecting UI benefits.³⁶ When a match is identified, according to Department procedures, its audit reporting and tracking system is

³² As part of the State of Arizona single audits, we have reviewed whether the Department has identity verification and anti-fraud measures in place for the State's UI Program and have not identified any findings. For more information on our findings and recommendations to the Department related to identity verification and anti-fraud measures for the federal CARES Act programs, see Arizona Auditor General reports State of Arizona—Report on internal control and on compliance, year ended June 30, 2020 and State of Arizona—Single audit report: Auditors' section, year ended June 30, 2021.

³³ A.R.S. §23-799.01(A).

³⁴ U.S. Department of Labor (U.S. DOL). (2011). *National effort to reduce improper payments in the Unemployment Insurance program*. (Unemployment Insurance Program Letter No. 19-11). Retrieved 07/29/2024 from <https://www.dol.gov/agencies/eta/advisories/unemployment-insurance-program-letter-no-19-11>

³⁵ 20 CFR 603.23.

³⁶ In accordance with A.R.S. §23-722.01, employers are required to report new hires, including employees who have been rehired or returned to work, to the Department, and the Department is required to operate the State Directory of New Hires. Additionally, in accordance with 42 USC 653, the Department is required to furnish this information to the National Directory of New Hires, operated by the U.S. Health and Human Service's Office of Child Support Services, within 3 days of entry into the State Directory of New Hires.

automated to send a wage audit notice to the employer and the claimant. The claimant notice informs the claimant that the Department has received information indicating they have returned to work, that an overpayment may exist, and that UI benefits will be denied or delayed if the claimant fails to respond within 5 days. The employer notice asks the employer to respond and provide information about the claimant, including hire date and wages earned. Based on the information returned from claimants and/or employers, this could result in an eligibility issue that could lead to fraud or nonfraud overpayments being established. Department data indicates that as of August 2024, in calendar year 2023, approximately 22,500 wage audit notices were sent to employers, and the Department received responses from approximately 70% of employers. The Department reported that, because employers are not required to respond to new hire crossmatch wage audits, it may need to use only the claimant's response to determine whether an overpayment exists. In calendar year 2023, more than \$2.3 million in overpayments were established for 3,889 claimants.³⁷

● **Wage crossmatch**

According to Department procedures, it crossmatches UI claims to the wage information employers provide to the Department in accordance with A.R.S. §23-722 and AAC R6-3-1703 on a quarterly basis. This crossmatch is performed to identify claimants who earned wages but did not report or underreported earnings and collected UI benefits. According to Department data, it performs the wage crossmatches within 4 months of the quarter ending. According to Department procedures, if a match is identified, its audit reporting and tracking system is automated to send a wage audit notice to the employer, and the employer is asked to provide any additional information about the claimant, such as hire date and wages earned. Based on the information returned from employers, this could result in an eligibility issue that could lead to fraud or nonfraud overpayments being established. The Department reported that employers are not required to respond to the wage audits, and if it does not receive a response from the employer, it cannot move forward with establishing an overpayment. Specifically, to determine an overpayment exists, the Department needs information from the employer verifying that the claimant's earnings are for the same weeks that the claimant collected UI benefits, but without this information, it cannot make an overpayment determination. Department data indicates that as of August 2024, for crossmatches against employer wage data from calendar year 2023, approximately 82,500 wage audit notices were sent to employers, and the Department received responses from approximately 30% of the employers. This resulted in more than \$1.2 million in overpayments being established for 1,899 claimants.^{38,39}

³⁷ Although the Department provided us with the total number of overpayments established and the total amounts collected during calendar year 2023 (see Figure 4 on page 64, Figure 5 on page 65, and Question 6, pages 67 through 69), the Department reported that due to IT system limitations it could not provide us with the amount of overpayments collected specifically for the overpayments established as a result of wage audit crossmatches.

³⁸ According to Department data, as of September 2024, 2,049 claimants had open eligibility issues from this crossmatch, and this could result in additional overpayments being established.

³⁹ Although the Department provided us with the total number of overpayments established and the total amounts collected during calendar year 2023 (see Figure 4 on page 64, Figure 5 on page 65, and Question 6, pages 67 through 69), the Department reported that due to IT system limitations it could not provide us with the amount of overpayments collected specifically for the overpayments established as a result of wage audit crossmatches.

► Validating UI claims as they are filed

The Department has established various procedures and processes to validate UI claims as they are filed and to uncover suspicious fraudulent characteristics that are consistent with DOL recommendations.⁴⁰

These include:

- Validating Social Security numbers provided by UI claimants.
- Verifying immigration status of non-U.S. citizens and confirming validity of information provided during claim filing.
- Comparing UI claimants' information to local, state, and federal prison databases.
- Identifying internet protocol (IP) addresses linked to multiple UI claims or claims filed outside of the U.S.
- Comparing UI claimants' information to detect duplicate UI claims filed in other states.
- Performing data analytics to identify shared characteristics that can be indicators of suspicious or fraudulent claims activity.

Question 10: What are the Department's processes for investigating allegations of fraud and referring individuals for prosecution?

The Department's Office of Inspector General (OIG) receives and investigates allegations of UI benefit fraud (fraud referrals) and also performs data analytics to identify potential fraud. Specifically, the Department receives fraud referrals through several avenues, including by phone through its fraud hotline, online, and internally from Department staff. According to Department data, in calendar year 2023, OIG received 4,129 fraud referrals, with the highest referral source being from the public, followed by referrals from the Department's Division of Employment and Rehabilitation Services.

After receiving an allegation of or identifying potential fraud, OIG assesses whether the case meets the Arizona Attorney General Office's prosecution standards, which includes thresholds for number of weeks payments occurred and fraudulent UI benefits amounts. For those cases that do not meet these prosecution standards, OIG declines the case or sends it to the UI Program for review and adjudication. If the case meets these prosecution standards, OIG performs the investigation and collects evidence, which may include generating subpoenas, reviewing relevant case documentation, and identifying witnesses who could testify in the event of a trial. When the evidence collected by OIG is not sufficient for prosecution, according to Department procedures, the investigation will still result in overpayments being established. For example, in 1 case we reviewed from December 2023, a claimant had filed for and received UI benefits but was

⁴⁰ U.S. Department of Labor (U.S. DOL). (2020b). *Addressing fraud in the Unemployment Insurance system and providing states with funding to assist with efforts to prevent and detect fraud and identify theft and recover fraud overpayments in the Pandemic Unemployment Assistance (PUA) and Pandemic Emergency Unemployment Compensation (PEUC) programs*. (Unemployment Insurance Program Letter No. 28-20). Retrieved 03/18/2024 from <https://www.dol.gov/agencies/eta/advisories/unemployment-insurance-program-letter-no-28-20>

identified as earning wages. However, during the investigation, the claimant's former employers were no longer in business and/or failed to respond to the OIG investigator, and as a result, the case did not meet the criteria for prosecution and was sent for civil collection. If the evidence collected by OIG is sufficient, the claimant receives their determination of overpayment and can appeal. If the claimant does not appeal or does not win their appeal, OIG forwards the case to the Arizona Attorney General's Office for criminal prosecution.

According to Department data, in calendar year 2023, it submitted 441 cases to the Arizona Attorney General's Office, and as of August 2024, 336 cases were accepted and led to charges.⁴¹ Additionally, according to Department data, in calendar year 2023, 234 convictions with over \$2.8 million were ordered in restitution.⁴²

⁴¹ Department data indicated that as of August 2024, 10 cases were declined by the Arizona Attorney General's Office and 95 cases were still pending. According to the Department, when the Arizona Attorney General's Office declines cases, overpayments have usually already been established to allow for claimants to voluntarily pay overpayment debts prior to court proceedings. If the overpayment was not already established when the case was declined, which the Department reported would mostly occur for identity theft cases, the Department would then establish the overpayment to start collection recovery.

⁴² According to the Department's website, in addition to paying restitution, convicted individuals may also face time in jail or prison, probation, and community service hours.

The Arizona Auditor General makes 22 recommendations to the Department

Click on a finding, recommendation, or its page number to the right to go directly to that finding or recommendation in the report.

Recommendations to the Department

FINDING 121

Develop or continue to develop and implement written policies and procedures that outline:

1.

The number of calls UI call center and BPC supervisors should review each month, including time frames for completing the reviews.

43
2.

Methods for selecting staff calls for review, such as randomly selecting calls, using a risk-based and/or judgmental selection, or using a combination of selection methods.

44
3.

Requirements and time frames for following up with staff to correct identified deficiencies, including guidance for when to provide coaching, additional training, and/or discipline, as appropriate.

44
4.

Requirements, time frames, and guidance for UI and BPC call center staff to perform callbacks, including when calls disconnect midconversation and when callers request a callback.

44
5.

Customer service steps and guidance for BPC call center staff when answering BPC calls that are consistent with UI Program customer service procedures.

44

Evaluate customer service quality by:

6.

Continuing to review, analyze, and take steps to improve its call center customer service metrics, such as call wait times and the number of calls answered or transferred, including investigating and correcting issues that are hindering improvement.

44
7.

Continuing to identify, revise, and implement UI call center call-routing system changes for reducing caller wait times and assisting more callers.

44
8.

Continuing to revise and implement BPC call center staff training to include new staff listening to recorded inbound calls independently and shadowing experienced BPC call center staff as they answer

phone calls, and requiring BPC supervisors to listen to calls that new call center staff answer during their first 2 weeks of taking calls.

44

9. Develop and implement a documented process, including written policies, procedures, and/or guidance, for analyzing data to inform staff-allocation decisions, such as analyzing data on staff experience levels and number of staff vacancies, to help ensure the UI call center maintains sufficient experience and staffing levels.

44

10. Continue to revise the Department website, UI Program materials, and other relevant information to use consistent terminology when directing claimants to Arizona@Work offices and clearly explain the types of assistance available at the Arizona@Work offices, including explaining that Arizona@Work office staff do not provide assistance with UI Program questions or concerns.

44

11. Revise the Department website and wage statements to provide consistent information and direction to claimants about the time frames for submitting a wage protest.

44

FINDING 2

45

12. Analyze claimant demographic data to identify and investigate possible indications of systemic discrimination, as required by federal regulation, and take action to address any deficiencies identified by such analysis.

55

13. Conduct the required assessment of the UI Program to identify existing access barriers or systemic discrimination and incorporate corrective actions to address any identified deficiencies into Department modernization efforts, including the development of the new UI Program IT system, as required by the federal grant award received in 2022.

55

To identify existing access barriers or systemic discrimination when implementing recommendation 13, review and evaluate various areas of the UI Program including, but not limited to:

14. Continuing to evaluate the number and characteristics of individuals who seek in-person assistance with various aspects of the UI Program at Arizona@Work offices to identify and implement corrective actions necessary to address potential UI Program access barriers that these individuals experience.

55

15. Evaluating translated documents and information, including Spanish-translated materials and planned work for translating documents and information into the top 5 languages spoken in Arizona, to ensure that translated materials are accurate and clear.

55

16. Evaluating the timeliness of UI benefit eligibility determinations, in particular the reasons for untimely eligibility issue adjudication, to identify and implement corrective actions.	55
17. Developing and implementing a documented process, including written policies, procedures, and/or guidance, for systematically tracking UI Client Advocate complaint data, including receipt and resolution dates, complaint source, complaint topics and/or categories, and action(s) taken to resolve complaints, in a format that facilitates analysis.	55
18. Developing and implementing a documented process, including written policies, procedures, and/or guidance, for regularly and systematically analyzing UI Client Advocate complaint data to identify and address potential UI Program access barriers or potential discrimination.	55
19. Evaluating methods for collecting UI call center data to identify and implement performance metrics necessary for assessing the extent of UI Program access barriers within the UI call center, such as tracking and analyzing data on the frequency and prevalence of callers experiencing long call wait times.	55
20. Evaluating planned methods for communicating important/time-sensitive UI Program information to claimants and incorporate necessary corrective actions when implementing the new UI Program IT system to ensure that claimants receive information timely, such as requiring claimants to select a secondary preferred notification method in alignment with DOL recommendations for using multiple methods for corresponding with claimants.	55
21. Conduct a review of relevant federal and State laws and regulations impacting the UI Program to ensure that all UI Program requirements have been identified.	56
22. Develop and implement processes to comply with all UI Program requirements, including any requirements it identifies when implementing recommendation 21.	56

Arizona@Work responsible for providing services and resources to individuals seeking employment, and provides access to computers and phones for accessing Department's UI Program

As discussed in the Introduction, page 2, UI claimants are required to register for the Department's employment services through the online Arizona Job Connection portal when they file for UI benefits, and the Department, in partnership with Arizona@Work, provides resources and services to individuals seeking employment opportunities. Specifically, the federal Workforce Innovation and Opportunity Act of 2014 (WIOA) was designed to strengthen the nation-wide workforce development system for states and provided various federal workforce development programs (see textbox for more information about WIOA). In Arizona, Arizona@Work is the workforce development entity responsible for implementing provisions of WIOA, including providing core programs through a centralized delivery system that includes the corresponding State entities that are responsible for administering them.¹ Specifically, as shown in the textbox and in accordance with statute, the Arizona Department of Education is the State's administrative entity for administering WIOA's Title II program whereas the Department is responsible for administering the remaining core programs, including employment services under Title III.²

As part of its responsibility for maintaining a delivery system to provide the services established by WIOA, Arizona@Work operates multiple types of offices with its various partners, including (1) Arizona@Work Job

Workforce Innovation and Opportunity Act

WIOA was signed into law in July 2014 to strengthen and improve the nation's public workforce system and help get individuals, including youth and those with significant barriers to employment, into high-quality jobs and careers and help employers hire and retain skilled workers. Specifically, WIOA Titles I through IV established several core programs designed to help job seekers access employment, education, training, and support services to succeed in the labor market and to match employers with the skilled workers they need to compete in the global economy, including:

- ▶ **Title I:** Adult, dislocated worker, and youth programs.¹
- ▶ **Title II:** Adult education and literacy program.²
- ▶ **Title III:** Employment services program.¹
- ▶ **Title IV:** Vocational rehabilitation program.¹

¹ Administered by the Department.

² Administered by the Arizona Department of Education.

Source: Auditor General staff review of 29 USC 3101 et seq; A.R.S. §§41-1954, 15-232, 15-234, and 15-206; and DOL website.

¹ In accordance with federal and State law, the Workforce Arizona Council oversees Arizona@Work. The Workforce Arizona Council's members include the Governor, individuals from private business, community and labor organizations, local and State government agencies, and members from the State Legislature.

² A.R.S. §§41-1954, 15-232, 15-234, and 15-206.

Centers that provide services for all of the core programs in Titles I through IV at each location and (2) affiliate sites that provide services for 1 or more of the core programs in a community or social service office.^{3,4} The Department uses both Arizona@Work Job Centers and affiliate sites to provide various Title III employment services to members of the public, including UI claimants and employers.⁵ Examples of these services include providing no-cost assistance with creating a resume and preparing for job interviews, helping with job postings and searches, researching labor market information, and providing career assessments. See Figure 8, page a-3, for a map of all Arizona@Work offices where the Department provides Title III employment services, including Arizona@Work Job Centers and affiliate sites.

Although some UI claimants may visit Arizona@Work offices to receive assistance with reemployment or to use computers or phones to file UI claims or contact the Department's call centers, the Department does not provide any UI Program services or assistance at these offices, including any customer service related to individual claims or overpayments, and UI Program staff are not present at these offices (see Finding 1, pages 22, 32, 36, and 37, for more information).

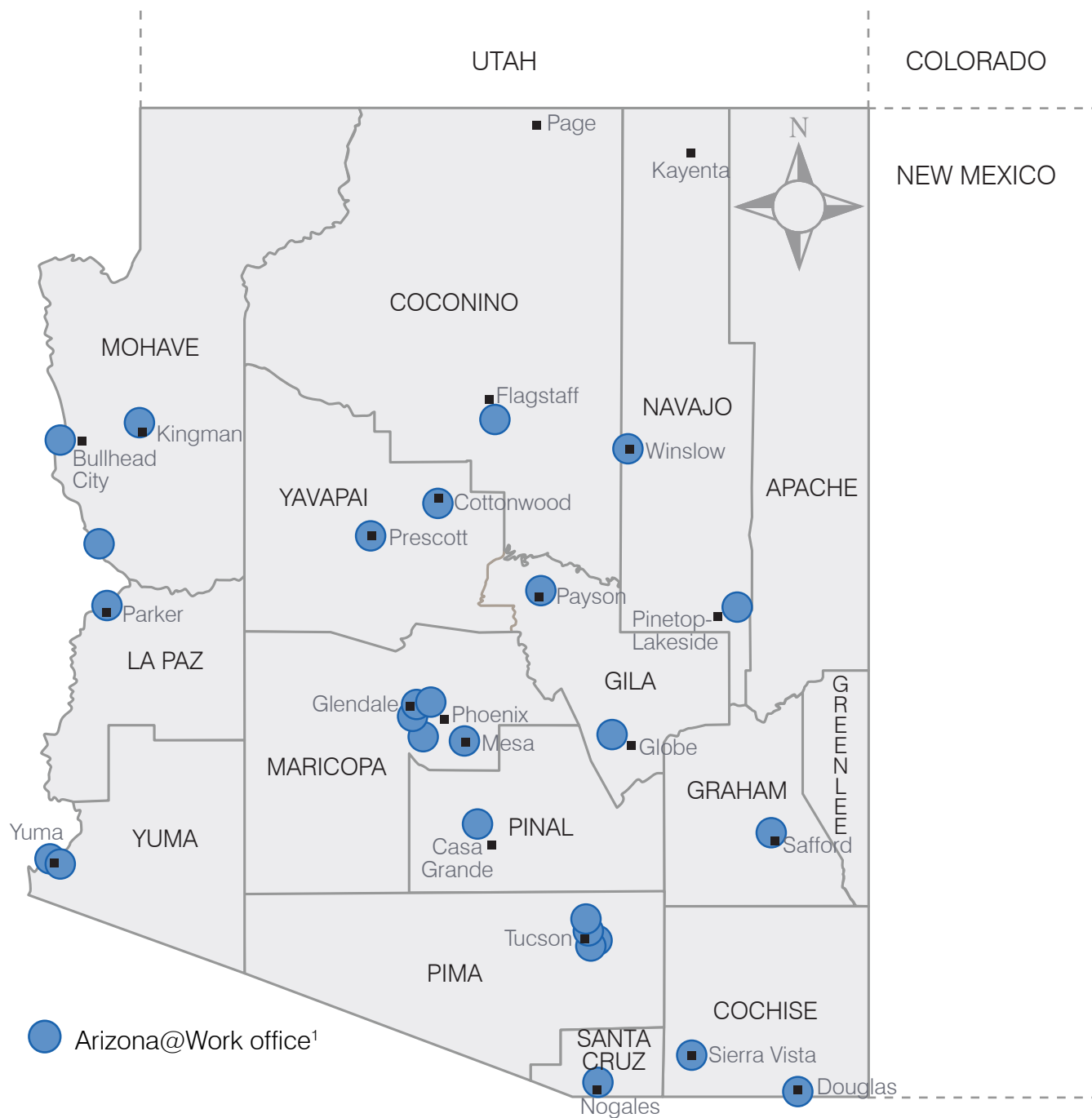
³ Arizona@Work also operates specialized centers that provide programs to address specific needs and demographics, which may include vocational rehabilitation, education, and youth services, among others. For example, in Pima County, Arizona@Work operates a specialized job center for veterans, active duty military personnel, and their spouses. However, the Department does not provide Title III employment services at any Arizona@Work specialized centers.

⁴ WIOA authorizes the establishment of local workforce development boards, which are certified by state governors. These local workforce development boards are responsible for overseeing the delivery of workforce development programs in their respective local areas, including overseeing the state's centralized delivery system for providing the WIOA core programs within the local area. According to the Workforce Arizona Council's policies, Arizona's Governor is responsible for designating local areas through consultation with the Workforce Arizona Council and the local area's chief elected executive official from a unit of general local government, such as a city mayor. Each local workforce development board is responsible for designating and certifying the operators who provide the WIOA core programs in their respective local area.

⁵ The Department refers to these affiliate sites as "DES Employment Services" offices.

Figure 8

Department provides WIOA Title III employment services in 27 Arizona@Work offices across the State



¹ The Arizona@Work network includes affiliate sites that provide services for 1 or more of the WIOA core programs. As such, Arizona@Work may have more offices than shown in this figure since it may have affiliate sites at which the Department does not provide Title III employment services and thus is not present at those locations.

Source: Auditor General staff review of Department-provided list of Arizona@Work offices with Title III employment services.

Scope and methodology

The Arizona Auditor General has conducted this performance audit of the Department pursuant to a November 21, 2022, resolution of the Joint Legislative Audit Committee. This audit was conducted as part of the sunset review process prescribed in A.R.S. §41-2951 et seq.

We used various methods to address the audit's objectives. These methods included reviewing applicable State statutes and rules; federal laws, regulations, guidelines, and reports; the Department's website, policies, procedures, standard work documents, guidance, grant agreements, training materials, UI application and informational materials, and various reports; and interviewing Department staff.

Additionally, we used the following specific methods to meet the audit objectives:

- ▶ To determine whether the Department provided timely and accurate customer service for accessing its UI Program in calendar year 2023, we:
 - Evaluated the Department's provision of customer service provided through its UI and BPC call centers by:
 - ▷ Reviewing call center routing flowcharts from calendar years 2023 and 2024.
 - ▷ Listening to a sample of 61 of approximately 214,349 recorded phone calls that Department staff handled through the UI call center in calendar year 2023 and assessing if staff followed UI Program call center and customer service procedures and assessed the amount of time callers waited on hold after being transferred from 1 queue to another.¹ This review included a stratified random sample of 50 calls—35 general inquiry and 15 adjudication—and a judgmental sample of 11 calls—8 general inquiry and 3 adjudication—which were associated with the sample of 50. Our judgmental sample of 11 calls included all instances in which callers had called in multiple times on the same day because this could be an indication that the caller's questions or concerns were not being fully addressed or resolved within their first call.
 - ▷ Listening to a sample of 19 of approximately 10,732 recorded phone calls with a call duration of 2 minutes or longer that Department staff answered through the BPC call center in calendar year 2023 and assessing if staff followed BPC call

¹ The Department's call center system tracks the total number of calls handled by the UI call center, including inbound and outbound calls. Our review of the data identified some calls that disconnected midconversation where Department staff called the caller back. Because our review was intended to assess how Department staff handled a single interaction, we matched calls occurring on the same date by call number and staff member to identify and remove from the population the callbacks associated with disconnected calls. Additionally, we excluded calls without a measured talk time because these callers never connected with UI call center staff. Due to these adjustments, the population figure we report is approximate.

center procedures and UI Program customer service procedures.² This review included a stratified random sample of 14 calls—8 overpayment and 6 PUA—and a judgmental sample of 5 calls—3 overpayment and 2 PUA—which were associated with the sample of 14. Our judgmental sample of 5 calls included all instances in which callers had called in multiple times on the same day because this could be an indication that the caller’s questions or concerns were not being fully addressed or resolved within their first call.

- ▶ Listening to a random sample of UI call center phone calls transferred from the general inquiry queue to the adjudication queue in April and May 2024 to identify reasons why some callers were transferred between the queues after the Department made changes to its call-routing system. This review included 2 random samples—2 of 284 calls transferred in April 2024 and 2 of 305 calls transferred in May 2024.
- ▶ Reviewing BPC supervisor call quality review documentation from calendar year 2023 to assess if customer service issues identified during the reviews were corrected. Additionally, we reviewed written procedures for BPC supervisors to perform call monitoring the Department revised during the audit in October 2024, and BPC call quality written procedures it developed in response to our audit in April 2025.
- ▶ Reviewing and analyzing Department-reported call center metrics to identify daily averages, such as maximum daily wait time and average daily number of calls received/answered for calendar years 2023 and 2024.
- ▶ Reviewing and analyzing Department call center data to identify the average number of calls transferred from the general inquiry queue to the adjudication queue for a 2-month period—April and May—in calendar years 2023 and 2024.
- Reviewed UI program information on the Department’s website and other UI Program informational materials, including documents and notices sent to claimants, to determine if they provided claimants with clear and accurate information.
- ▶ To identify potential UI Program access barriers and associated impacts that could be indications of discrimination, we:
 - Interviewed staff from a stratified sample of 7 of 27 Arizona@Work locations in the State to identify the types of UI Program customer service assistance individuals seek at these offices. This review included a random sample of 3 Arizona@Work offices located in urban counties—counties with a population greater than 1 million according to U.S. Census data—and a judgmental sample of 4 Arizona@Work offices located in

² The Department’s call center system tracks the total number of calls handled by the BPC call center, including inbound and outbound calls. We excluded outbound calls from our analysis because part of our review assessed the reasons why individuals called the BPC call center. Additionally, we excluded calls that had a call duration of less than 2 minutes to ensure we reviewed calls that were long enough in duration to assess the Department’s provision of customer service. Due to these adjustments, the population figure we report is approximate.

rural counties.^{3,4} Our judgmental sample considered county unemployment rates for calendar year 2023 and the geographic location and number of Arizona@Work offices in the county.

- Compared Spanish and English language versions of the UI Program initial and weekly claim applications and other informational materials for differences that could impact a claimant's ability to understand program requirements and guidelines for accessing the UI Program.
 - Reviewed Department data on the timeliness of nonmonetary adjudications for initial and weekly claims from calendar year 2023 and April through September 2024.
 - Reviewed the UI Client Advocate's complaint tracker for UI complaints the Department received in calendar year 2023.
 - Reviewed Department PUA IT system portal data to identify the frequency of unread PUA overpayment determination letters.
- To provide information in the Introduction and Questions and Answers about the Department's processes for processing claims, reviewing claim accuracy, and preventing and detecting fraud, we:
- Reviewed Department-prepared information regarding staffing and vacancies.
 - Analyzed financial and statistical information from the State of Arizona annual comprehensive financial reports for fiscal years 2017 through 2023.
 - Analyzed information from the Arizona Auditor General State of Arizona—Single audit reports for fiscal years 2021 through 2023. This includes information from the Auditors' and State sections of the reports. The State section includes State agencies' information that was compiled by the Arizona Department of Administration.
 - Reviewed a wage statement for a claimant who filed an initial UI claim in January 2025.
 - Analyzed Department UI Program and PUA program data as of February 2025 and January 2025, respectively, for overpayments established and waived in calendar year 2023.
 - Analyzed Department data on requests for reconsiderations in calendar year 2023 and the outcomes of those requests.
 - Analyzed Department data on appeal decisions filed, issued, and outcomes for the UI Program and PUA program in calendar year 2023.

³ Urban counties are those with a population greater than 1 million according to U.S. Census data. We reviewed census data from calendar year 2023 to identify urban and rural counties for our review.

⁴ U.S. Census Bureau. (2023). U.S. Census Bureau QuickFacts: Arizona. Retrieved 5/31/2024 from <https://www.census.gov/quickfacts/fact/table/AZ/PST045223>

- Analyzed Department data on nonmonetary and monetary determinations issued for the UI Program in calendar year 2023.
 - Reviewed DOL data on the results from the Department's BAM program investigations for calendar year 2023.
 - Reviewed DOL's March 2025 determination in response to deficiencies we identified in fiscal year 2023 with the BAM program's testing of a minimum percentage of paid and denied claims.
 - Analyzed Department data from new hire and wage crossmatches performed in and for calendar year 2023 claims, including data on overpayments established as a result of the crossmatches and wage audit notices sent to and returned by employers.
 - Reviewed Department data on fraud referrals received in calendar year 2023 and cases submitted to the Arizona Attorney General's Office for fraud prosecution.
- ▶ To obtain information for Appendix A, we reviewed State guidance for implementing federal law and a Department listing of Arizona@Work office locations with Title III employment services.⁵

Our work on internal controls, including information system controls, included, where applicable, reviewing the Department's policies and procedures and testing Department compliance with these policies and procedures, and assessing compliance with State statutes and federal regulations. We reported our conclusions on applicable internal controls in Findings 1 and 2.

We selected our audit sample(s) to provide sufficient evidence to support our findings, conclusions, and recommendations. Unless otherwise noted, the results of our testing using these samples were not intended to be projected to the entire population.

We conducted this performance audit of the Department 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 express our appreciation to the Department Director and staff for their cooperation and assistance throughout the audit.

⁵ 29 USC 3101 et seq.

AUDITOR GENERAL'S COMMENTS ON THE DEPARTMENT'S RESPONSE

The Joint Legislative Audit Committee requires all agencies to respond to whether they agree with our findings and plan to implement the recommendations. We appreciate the Department's response, including its agreement with all findings and its willingness to work collaboratively with our Office to continue to improve its provision of UI Program customer service and access to the UI Program. However, the Department has included certain statements in its response that necessitate the following clarification.

Issue

Department's response

In its responses to Findings 1 and 2, the Department stated that the audit period was nearly 18 months prior to our report's publication and that most of our recommendations were related to continuing and/or supplementing the Department's existing efforts, actions, and processes.

Auditor General's comments

The time frame for our audit spanned calendar years 2023 through early 2025. Our initial focus on the Department's provision of customer service in calendar year 2023 was based on several factors, including our risk assessment, stakeholder feedback indicating that members of the public had experienced multiple issues with the Department's UI Program customer service during that time frame, and the goal of providing the Department with useful information to inform its ongoing UI program modernization efforts.

Our audit also included a significant amount of work to assess the Department's provision of UI Program customer service during calendar year 2024 and early 2025, and this work was particularly important for assessing the impact of various changes the Department made or reported it made during the audit (see pages 32, 37 through 42, 46 through 48, 50, and 51). Although this work identified that the Department had improved its provision of UI Program customer service in several areas (see pages 32, 37 through 41, and 48), we also identified additional customer service issues and potential barriers for accessing the UI Program, and we made several recommendations to address these issues (see pages 32 through 33, 38, 41 through 42, and 48 through 52 for the issues we identified; and pages 43 and 44, recommendations 1 through 4, 10, and 11, and page 55, recommendations 14 through 20 for the associated recommendations we made).

Finally, although some of our work did assess Department processes and efforts that were already in place at the beginning of our audit, most of our recommendations that direct the Department to continue its efforts are related to actions it took during the audit, and in many cases, these actions were in response to our work (see pages 32, 38, 41, 48, and 52). We appreciate the Department's responsiveness during the audit to start addressing these issues, and we look forward to continuing to work with the Department to address all outstanding issues during our followup process.

DEPARTMENT RESPONSE

The subsequent pages were written by the Department to provide a response to each of the findings and to indicate its intention regarding implementation of each of the recommendations resulting from the audit conducted by the Arizona Auditor General.

ARIZONA
— DEPARTMENT OF —
ECONOMIC SECURITY

Katie Hobbs
Governor

Michael Wisehart
Director

May 27, 2025

Ms. Lindsey Perry, CPA, CFE
Auditor General
Arizona Office of the Auditor General
2910 North 44th Street, Suite 410
Phoenix, Arizona 85018

RE: Auditor General's report, Arizona Unemployment Insurance Program, Sunset Review

Dear Ms. Perry:

The Arizona Department of Economic Security (Department) has conducted a thorough review of the Auditor General's report and will be implementing the recommendations as documented in the attachment.

The Department is dedicated to cultivating a culture of excellence, accountability, and innovation. Our commitment to continuous improvement is integral to our operations, guiding us in the refinement of internal processes and the enhancement of service quality. The Department will persist in evaluating its performance, soliciting feedback, and implementing modifications that advance our mission to better serve the citizens of Arizona.

The Department acknowledges and appreciates the diligence and collaboration demonstrated by the staff of the Office of the Auditor General throughout the Sunset Review process.

If you have any questions, please contact Bryce A. Barraza, Deputy Assistant Director, Division of Employment and Rehabilitation Services, at (602) 542-4910 or bbarraza@azdes.gov.

Sincerely,



Michael Wisehart
Director

Attachment

Finding 1: Department provided quality customer service to some Unemployment Insurance (UI) claimants, but service quality, accuracy, and timeliness problems exist, potentially causing claimant hardships and frustration, and increasing staff workload.

Department response: The Auditor General's finding is agreed to.

Response explanation: The Arizona Department of Economic Security (DES) strives to serve clients and employers in the most efficient and effective manner, and is committed to the continuous improvement of operations.

It is important to note that the audit period for this report is Calendar Year (CY) 2023, which is less than 15 months after the expiration of the federal COVID-19 Pandemic unemployment programs in September 2021, and nearly 18 months from the publication of this report in Summer 2025.

As documented in this report, the national and state UI systems experienced constraints in their effort to meet the unprecedented demand of the COVID-19 Pandemic, primarily stemming from a historical lack of federal investment, antiquated technologies, and complex regulations. In 2020, DES worked expeditiously to meet an unprecedented demand for services and administered critical benefits to over 600,000 Arizonans impacted by the COVID-19 Pandemic.

Since then, DES' efforts to improve operations and best serve clients include enhancements to technology, incorporation of best practices in business processes, and improved communications. Many of DES' improvement initiatives were initiated prior to the engagement of these audit activities, and were either implemented prior to the completion of the audit or will be implemented in the latter part of 2025.

For context, of the report's 11 recommendations for the first finding: all 11 of the recommendations include actions taken by DES that were already initiated prior to the conclusion of the audit; and six recommendations include language for DES to continue its already existing efforts dedicated to improving operations.

DES is prudently working toward the implementation of a new and modernized UI case management system, which is expected to be available in September 2025. The new and modernized UI case management system will replace antiquated technology and:

- Increase availability: The modernized system will be web-based and available 24/7, allowing clients to submit an application and access the client portal any time of day and on any computer, smartphone or tablet.
- Improve communication: Clients may opt-in for electronic communication about their case via the client portal. Clients will have the ability to respond to questionnaires and upload other necessary information directly in the client portal via any smart device.
- Improve access to case information: Clients will have access to dashboards showing claim status.
- Simplify navigation: Clients will not have to use multiple systems. Clients can apply for benefits, submit their weekly certifications and go through the appeal process in one system.

The competitive procurement process to support the development and implementation of a modernized UI case management system was initiated in December 2021, the contract was awarded in November 2022, and the development of the system started in February 2023.

In addition to ensuring the UI Program operates with a modernized case management system, DES enhanced the call center infrastructure serving clients. In January 2024, DES implemented:

- Automated and self-service access to personalized claim information and frequently asked questions: When a client calls with a question, their question can be automatically answered without having to wait on hold to speak to someone.
- Requested Call Back: Clients, once in queue, can request a call back from a team member, as opposed to waiting on-hold.

As a result, the quantity of calls served increased. Over 230,000 calls were served via the automated and self-service functions in CY 2024. Additionally, the quantity of calls received by the UI call center decreased from CY 2023 to 2024, indicating that the quantity of times a client must call to receive information about their claim has also decreased due to the automated and self-service functionality implemented. In 2023, the UI call center received over 814,000 phone calls, whereas in 2024, the quantity of calls decreased to 367,000 calls. Additionally, the average wait time for clients to speak to a team member decreased five minutes, from approximately 39 minutes to 34 minutes.

DES continues to explore additional opportunities to enhance technology and improve call center operations to ensure a more efficient and effective experience for clients.

Further, DES actively engages its federal partners to increase investment in Arizona to improve operations. In 2022 and 2023, DES applied for and was awarded two federal discretionary grants in the amount of \$10.5 million to support specific improvement activities and integrity functions, such as the modernization of the UI case management system and enhancements to call center operations.

From the client perspective, filing a claim for UI can be challenging. The UI Program can be complex, and federally required communications and terms can be confusing. Therefore, the UI Program is conducting a 'plain language' review of critical communications between DES and clients. The goal is that individuals understand communication from DES the first time the document is read. This review includes creating new video tutorials and other communication assisting clients with submitting an initial application, submitting weekly certification and important information about how to satisfy the work search requirements. Revised communications will be implemented in conjunction with the modernized case management system.

DES will continue to evaluate how best to serve clients and work to improve operations. DES appreciates constructive feedback from stakeholders and those that engage the Department for services and support. DES is committed to transparency in its actions and working to strengthen individuals, families, and communities for a better quality of life.

Recommendation 1: Develop or continue to develop and implement written policies and procedures that outline the number of calls UI call center and Benefit Payment Control (BPC) supervisors should review each month, including time frames for completing the reviews.

Department response: The audit recommendation will be implemented.

Response explanation: It is important to note that both call centers already have established quality review requirements and processes. These expectations have been

communicated, as demonstrated in the existing practice of call performance reviews. The requirements have been established since the fourth quarter of 2023 for the UI call center and since October 2024 for the BPC call center.

DES will develop more-explicit written procedures to outline the number of calls the UI call center and BPC supervisors are required to review each month, along with the time frames for completing these reviews.

Recommendation 2: Develop or continue to develop and implement written policies and procedures that outline methods for selecting staff calls for review, such as randomly selecting calls, using a risk-based and/or judgmental selection, or using a combination of selection methods.

Department response: The audit recommendation will be implemented.

Response explanation: It is important to note that both call centers already have established quality review requirements and processes. These expectations have been communicated, as demonstrated in the existing practice of call performance reviews. The requirements have been established since the fourth quarter of 2023 for the UI call center and since October 2024 for the BPC call center.

DES will develop more-explicit written procedures to document the methodology for conducting quality reviews.

Recommendation 3: Develop or continue to develop and implement written policies and procedures that outline requirements and time frames for following up with staff to correct identified deficiencies, including guidance for when to provide coaching, additional training, and/or discipline, as appropriate.

Department response: The audit recommendation will be implemented.

Response explanation: It is important to note that DES regularly reviews performance for both the UI and BPC call centers, including the evaluation of metrics, and adherence to established procedures.

DES will continue to update existing procedures to include coaching guidelines and steps for progressive discipline.

Recommendation 4: Develop or continue to develop and implement written policies and procedures that outline requirements, timeframes, and guidance for UI and BPC call center staff to perform callbacks, including when calls disconnect mid-conversation and when callers request a callback.

Department response: The audit recommendation will be implemented.

Response explanation: DES has implemented written procedures that include requirements, timeframes, and guidance for team members supporting both the UI and BPC call centers to perform callbacks, including when calls get disconnected and when callers request a callback.

Recommendation 5: Develop or continue to develop and implement written policies and procedures that outline customer service steps and guidance for BPC call center staff when answering BPC calls that are consistent with UI Program customer service procedures.

Department response: The audit recommendation will be implemented.

Response explanation: In November 2024, DES implemented revisions to written procedures for the BPC call center that include customer service and call handling guidance, aligning with the procedures of the UI call center.

Recommendation 6: Evaluate customer service quality by continuing to review, analyze, and take steps to improve its call center customer service metrics, such as call wait times and the number of calls answered or transferred, including investigating and correcting issues that are hindering improvement.

Department response: The audit recommendation will be implemented.

Response explanation: DES is committed to the continuous improvement of operations, and as such, maintains artifacts to monitor call center performance. It is important to note that DES' existing performance monitoring for the unemployment call center includes industry best practices and United States Department of Labor (U.S. DOL) recommended metric categories such as: first call resolution; service level response time; adherence to schedule; self-service; and call quality.

DES will continue to collect data and review call center performance to identify opportunities to improve operations. DES will revise and implement call center performance monitoring artifacts for the BPC call center. DES will also, when appropriate, continue to revise the artifacts used to monitor call center performance to better support problem-solving.

Recommendation 7: Evaluate customer service quality by continuing to identify, revise, and implement UI call center routing system changes for reducing caller wait times and assisting more callers.

Department response: The audit recommendation will be implemented.

Response explanation: DES will continue to evaluate how best to serve clients and work to improve operations, including enhancements to the call center infrastructure. In January 2024, DES implemented enhancements to the UI call center that increased capacity to serve more calls. Enhancements included the implementation of:

- Automated and self-service access to personalized claim information and frequently asked questions: When a client calls with a question, their question can be automatically answered without having to wait on hold to speak to someone.
- Requested Call Back: Clients, once in queue, can request a call back from a team member, as opposed to waiting on-hold.

As a result, the quantity of calls served increased. Over 230,000 calls were served via the automated and self-service functions in CY 2024. Additionally, the quantity of calls received by the UI call center decreased from CY 2023 to 2024, indicating that the quantity of times a client must call to receive information about their claim has also

decreased due to the automated and self-service functionality implemented. In 2023, the UI call center received over 814,000 phone calls, whereas in 2024, the quantity of calls decreased to 367,000 calls. Additionally, the average wait time for clients to speak to a team member decreased five minutes, from approximately 39 minutes to 34 minutes.

Recommendation 8: Evaluate customer service quality by continuing to revise and implement BPC call center staff training to include new staff listening to recorded inbound phone calls independently and shadowing experienced BPC call center staff as the answer phone calls, and requiring BPC supervisors to listen to calls that new call center staff answer during their first two weeks of taking calls.

Department response: The audit recommendation will be implemented.

Response explanation: DES implemented a customer service training program for the BPC call center in October 2024. As part of the onboarding process, staff are provided examples of effective and ineffective call recordings to support their learning and reinforce best practices. In addition, staff shadow experienced call center representatives. Supervisors are now required to monitor live calls and provide feedback during the deputy's first two weeks of taking calls.

Recommendation 9: Develop and implement a documented process, including written policies, procedures and/or guidance, for analyzing data to inform staff-allocation decisions, such as analyzing data on staff experience levels and number of vacancies, to help ensure the UI call center maintains sufficient experience and staffing levels.

Department response: The audit recommendation will be implemented in a different manner.

Response explanation: It is important to note that DES has existing methods in place to assess and inform staff allocation decisions. Methods include, but are not limited to, management review meetings and the use of performance monitoring artifacts, of which the Audit team observed during the audit field work.

DES will supplement existing methods with written elements and guidelines for consideration.

Recommendation 10: Continue to revise the Department website, UI Program materials, and other relevant information to use consistent terminology when directing claimants to Arizona@Work offices and clearly explain the types of assistance available at the Arizona@Work offices, including explaining that Arizona@Work office staff do not provide assistance with UI Program questions or concerns.

Department response: The audit recommendation will be implemented.

Response explanation: The Arizona Department of Economic Security (DES/Department) initiated prior to the audit field work, and will continue, efforts to ensure the alignment of the Unemployment Insurance (UI) Program website, materials, and other information as part of system modernization efforts. Additionally, to better assist clients, DES will ensure that updates related to ARIZONA@WORK offices reflect the types of services available.

Recommendation 11: Revise the Department website and wage statements to provide consistent information and direction to claimants about the time frames for submitting a wage protest.

Department response: The audit recommendation will be implemented.

Response explanation: DES initiated prior to the audit field work, and will continue, efforts to ensure the alignment of the UI Program website, materials, and other information as part of system modernization efforts. DES will ensure information related to the wage statement is consistent in all communication artifacts.

Finding 2: Inconsistent with federal regulation and recommendations, the Department has not analyzed UI Program data and information to identify potential access barriers and discrimination, impacting its ability to implement UI Program improvements, including planned modernization, and increasing risk to claimants

Department response: The Auditor General's finding is agreed to.

Response explanation: DES expects that clients are served with dignity and respect, and treats every individual equally. It is important to note that there is no evidence or indication of any discriminatory practices.

DES strives to serve clients in the most efficient and effective manner, and is committed to the continuous improvement of operations. For context, of the report's 11 recommendations for the second finding, 10 of the recommendations include supplementing existing DES actions and processes.

The audit report references federal regulations distributed to states by the U.S. DOL via Unemployment Insurance Program Letter (UIPL) 11-14. DES will work to fulfill its obligations under UIPL 11-14. It is also important to note that the audit recommendations include activities that are not specifically required by federal regulation.

Recommendation 12: Analyze claimant demographic data to identify and investigate possible indications of systemic discrimination, as required by federal regulation, and take action to address any deficiencies identified by such analysis.

Department response: The audit recommendation will be implemented.

Response explanation: DES will work to fulfill its obligations under UIPL 11-14.

DES expects that clients are served with dignity and respect and treats every individual equally. It is important to note that there is no evidence or indication of any discriminatory practices.

Recommendation 13: Conduct the required assessment of the UI Program to identify existing access barriers or systemic discrimination and incorporate corrective actions to address any identified deficiencies into Department modernization efforts, including the development of the new UI Program Information Technology (IT) system, as required by the federal grant award received in 2022.

Department response: The audit recommendation will be implemented.

Response explanation: DES will work to fulfill its obligations under UIPL 11-14.

Recommendation 14: To identify existing access barriers or systemic discrimination when implementing recommendation 13, review and evaluate various areas of the UI Program including, but not limited to continuing to evaluate the number and characteristics of individuals who seek in-person assistance with various aspects of the UI Program at ARIZONA@WORK offices to identify and implement corrective actions necessary to address potential UI Program access barriers that these individuals experience.

Department response: The audit recommendation will be implemented in a different manner.

Response explanation: DES initiated, prior to this audit report, an assessment of UI clients' engagement with ARIZONA@WORK local offices. In 2024, a survey was conducted to identify the frequency in which, and for what reasons, UI clients were entering ARIZONA@WORK offices. Information gathered during the assessment period resulted in the implementation of process improvements to better support clients completing required identity verification and submitting information related to their claims when entering a local ARIZONA@WORK office.

ARIZONA@WORK provides no-cost employment services to job-seekers, such as resume writing assistance, interview skill building and job-search and referral services. UI clients are required to seek employment and conduct work search activities by state and federal law. ARIZONA@WORK is an appropriate and effective resource to provide no-cost support to UI clients in their work search efforts.

DES continues to explore additional opportunities to effectively serve clients. DES will work to fulfill its obligations under UIPL 11-14.

Recommendation 15: To identify existing access barriers or systemic discrimination when implementing recommendation 13, review and evaluate various areas of the UI Program including, but not limited to evaluating translated documents and information, including Spanish-translated materials and planned work for translating documents and information into the top five languages spoken in Arizona, to ensure that translated materials are accurate and clear.

Department response: The audit recommendation will be implemented.

Response explanation: DES will work to fulfill its obligations under UIPL 11-14.

DES initiated prior to the audit field work, and will continue, efforts to ensure the alignment of the UI Program website, materials, and other information as part of system modernization efforts. DES will ensure already planned translations are accurate.

Recommendation 16: To identify existing access barriers or systemic discrimination when implementing recommendation 13, review and evaluate various areas of the UI Program including, but not limited to evaluating the timeliness of UI benefit eligibility determinations, in particular the reasons for untimely eligibility issue adjudication, to identify and implement corrective actions.

Department response: The audit recommendation will be implemented in a different manner.

Response explanation: DES will work to fulfill its obligations under UIPL 11-14.

DES continues to work to improve timeliness of application processing for all UI clients. Arizona, and all states that administer an UI Program, provide quarterly updates on timeliness and improvement activities to the U.S. DOL via the State Quality Service Plan.

Recommendation 17: To identify existing access barriers or systemic discrimination when implementing recommendation 13, review and evaluate various areas of the UI Program including, but not limited to developing and implementing a documented process, including written policies, procedures, and/or guidance, for systematically tracking UI Client Advocate complaint data, including receipt and resolution dates, complaint source, complaint topics and/or categories, and action(s) taken to resolve complaints, in a format that facilitates analysis.

Department response: The audit recommendation will be implemented in a different manner.

Response explanation: It is important to note that DES has existing processes to engage and support clients throughout the benefit claim process and address any communicated concerns. Additionally, information collated from the existing processes is evaluated to identify areas of improvement.

DES maintains multiple methods for which clients may contact specific personnel, via dedicated communication channels, to request assistance and communicate concerns—including the UI Client Advocate and DES Ombudsman units.

DES will supplement existing methods with written elements and guidelines for consideration. DES will work to fulfill its obligations under UIPL 11-14.

Recommendation 18: To identify existing access barriers or systemic discrimination when implementing recommendation 13, review and evaluate various areas of the UI Program including, but not limited to developing and implementing a documented process, including written policies, procedures and/or guidance, for regularly and systematically analyzing UI Client Advocate complaint data to identify and address potential UI Program access barriers or potential discrimination.

Department response: The audit recommendation will be implemented in a different manner.

Response explanation: DES has existing processes to engage and support clients throughout the benefit claim process and address any communicated concerns. Additionally, information collated from the existing processes is evaluated to identify areas of improvement.

DES maintains multiple methods for which clients may contact specific personnel, via dedicated communication channels, to request assistance and communicate concerns—including the UI Client Advocate and DES Ombudsman units.

DES will supplement existing methods with written elements and guidelines for consideration. DES will work to fulfill its obligations under UIPL 11-14.

Recommendation 19: To identify existing access barriers or systemic discrimination when implementing recommendation 13, review and evaluate various areas of the UI Program including, but not limited to evaluating methods for collecting UI call center data to identify and implement performance metrics necessary for assessing the extent of UI Program access barriers within the UI call center, such as tracking and analyzing data on the frequency and prevalence of callers experiencing long call wait times.

Department response: The audit recommendation will be implemented in a different manner.

Response explanation: DES will work to fulfill its obligations under UIPL 11-14. It is important to note that DES' existing performance monitoring for the unemployment call center includes industry best practices and U.S. DOL recommended metric categories such as: first call resolution; service level response time; adherence to schedule; self-service; and call quality.

DES will continue to collect data and review call center performance to identify opportunities to improve operations. DES will, where appropriate, continue to revise the artifacts used to monitor call center performance to better support problem-solving.

Recommendation 20: To identify existing access barriers or systemic discrimination when implementing recommendation 13, review and evaluate various areas of the UI Program including, but not limited to evaluating planned methods for communicating important/time-sensitive UI Program information to claimants and incorporate necessary corrective actions when implementing the new UI Program IT system to ensure that claimants receive information timely, such as requiring claimants to select a secondary preferred notification method in alignment with U.S. DOL recommendations for using multiple methods for corresponding with claimants.

Department response: The audit recommendation will be implemented in a different manner.

Response explanation: It is important to note that DES' existing methods of communication for the UI Program comply with federal rule. DES is leveraging technology to improve the client experience. Due to constraints with antiquated technology, the current primary method clients receive information from the UI Program is on paper, via mail.

With the planned implementation of a modernized case management in September 2025, clients will receive immediate communications electronically via their client portal. Clients will also maintain the option to receive communications from the UI Program via mail. Clients will have the ability to respond to questionnaires and upload other necessary information directly in the client portal via any smart device.

Recommendation 21: Conduct a review of relevant federal and State laws and regulations impacting the UI Program to ensure that all UI Program requirements have been identified.

Department response: The audit recommendation will be implemented.

Response explanation: DES has a robust process to review all relevant state and federal laws and regulations to identify all applicable requirements for the UI Program. Requirements stemming from new legislation impacting the UI Program are implemented through a comprehensive impact assessment of programmatic policies and procedures, as well as program operations, which inform the revisions and changes required for compliance. Additionally, DES closely monitors and assesses federal guidance as it is issued, outlining necessary actions required for compliance, including implementation requirements for program operations, revisions needed for policies and procedures, and conducts reviews to ensure alignment with federal regulations.

Recommendation 22: Develop and implement processes to comply with all UI Program requirements, including any requirements it identifies when implementing recommendation 21.

Department response: The audit recommendation will be implemented.

Response explanation: DES has a robust process to review all relevant state and federal laws and regulations to identify all applicable requirements for the UI Program. Requirements stemming from new legislation impacting the UI Program are implemented through a comprehensive impact assessment of programmatic policies and procedures, as well as program operations, which inform the revisions and changes required for compliance. Additionally, DES closely monitors and assesses federal guidance as it is issued, outlining necessary actions required for compliance, including implementation requirements for program operations, revisions needed for policies and procedures, and conducts reviews to ensure alignment with federal regulations.