

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.