

Sander Levin

U.S. House of Representatives
9th Congressional District, Michigan

April 25, 2016

The Honorable Rick Snyder
Governor, State of Michigan
George W. Romney Building
111 South Capitol Avenue
Lansing, MI 48933

Dear Governor Snyder:

As Ranking Member of the Committee on Ways & Means, which has jurisdiction over federal-state unemployment compensation programs, I am writing to make it clear that Michigan must review the claims of fraud made by the State Unemployment Insurance Agency's automated system and fully reimburse those citizens of our state who were harmed due to inaccurate determinations.

In October 2013, the State began to rely solely on the Michigan Integrated Data Automated System (MiDAS) – a computer program without human involvement – to make official determinations of fraud. This computer program was so grievously flawed that the State should have detected that there was a problem. During the year from March 2014 to March 2015, the automated system alleged close to 27,000 cases of fraud – five times the typical number of cases established by the Michigan UIA – costing claimants \$57 million in fines and garnished wages and income taxes. In contrast, in 2012, the year before MiDAS was implemented, the account that holds funds collected from fraud allegations contained only \$3 million.

And, in February 2016, the Michigan Auditor General found that computer-determined fraud was affirmed in only 8 percent of appeals, with a full 64 percent reversed or dismissed, and 22 percent where the UIA was asked to review them again.

I understand that because of oversight efforts by the U.S. DOL (DOL), the computer system is no longer in violation of federal law and has placed an employee back in charge of verifying any fraud allegation. That is a relief, but I am dismayed to learn that the State continues to resist recommendations to improve current notice procedures so they meet federal requirements. This foot dragging was verified in recent days by the Michigan Auditor General which found that UIA “needs to improve its efforts to obtain and/or consider supporting information and provide claimants with the facts and rationale when accusing claimants of providing false or misleading information.”



I also understand that there is a bi-partisan effort under way in the state legislature to address problems with the system going forward. I commend those efforts and I hope they result in full and adequate improvements.

But I find it shocking and deeply concerning that the State has not gone back and sought to verify allegations of fraud and moved to re-pay any unemployed worker who was wrongly accused and whose wages or tax refunds were wrongly garnished or were required to pay penalty without proper notice.

Unfortunately, in the fall of 2015, UIA only re-evaluated a small batch of the over 60,000 computer-determined fraud adjudications focusing only where the individual had appealed. This leaves out a large portion of the false fraud determinations that haven't been appealed or appealed late when it has been confirmed by the Auditor General that UIA's procedures for notice are wholly inadequate.

When I spoke to DOL, they re-iterated that they have advised the UIA to re-adjudicate all instances of alleged fraud in order to be in compliance with federal law and reimburse those wrongfully accused of fraud.

The unemployment insurance program is in place to provide assistance to workers who are unemployed through no fault of their own while they look for a new job. If fraud occurs in any government program, there is an absolute responsibility to rectify it. But when a government system fails the people it is in place to assist, there is also an absolute responsibility to rectify it.

While the UIA has taken small steps to rectify problems caused by the automated system, it is incumbent upon the UIA to verify that *all* previously alleged instances of fraud were, in fact, fraud. And, where mistakes were made, Michiganders should absolutely receive their money back. As the Governor of our State, you should insist that this be done.

As the Ranking Member of the Committee on Ways and Means, I will continue working with the DOL to ensure that Michigan's unemployment insurance program complies with all federal requirements, including a claimant's due process rights. The DOL is clearly required to withhold Michigan's federal administrative funding allocation (over \$100 million annually) for UI if Michigan is not in compliance with Section 303(a)(1) or 303(a)(3) of Social Security Act which provide requirements for the operation of federal-state unemployment programs.

I would welcome hearing from you on this important matter.

Sincerely,



Sander Levin
Member of Congress