



## *Employment Development Department:* **EDD's Poor Planning and Ineffective Management Left It Unprepared to Assist Californians Unemployed by COVID-19 Shutdowns**

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**The State Auditor found that . . .**

### **1. EDD Did Not Prepare for an Economic Downturn**

- EDD has been aware of deficiencies with its claim process and call center for years.
- Weak areas became critical shortcomings when EDD responded to a surge in UI claims.

### **2. Most Callers Did Not Receive Help From EDD's Call Center**

- Call center performance deteriorated dramatically after claims surged in March 2020.
- EDD quadrupled call center staff, but they frequently could not help callers and only marginally improved the percentage of answered calls.

### **3. EDD Struggled to Process Claims and its Process Improvements Are Not All Sustainable**

- EDD could not automatically process nearly half of claims individuals submitted online between March and September 2020.
- EDD modified its practices and eventually reached over 90 percent automation, but will not be able to sustain those gains in the long term.

### **4. EDD Delayed Critical Work That Will Now Threaten Effective Ongoing Operation of the UI Program**

- The Labor and Workforce Development Agency directed EDD to pay claimants without determining eligibility for the program and to temporarily stop collecting eligibility certifications.
- EDD must now process millions of delayed eligibility decisions, which it has not adequately planned how to address, and will ask some Californians to repay benefits.

# EDD Had Not Prepared for the Economic Shutdown

For more information, see pages 49–53 of our report.

EDD has been aware of key operational issues for **nearly ten years . . .**



INEFFICIENT CLAIM FILING PROCESS



LACK OF READILY AVAILABLE, QUALIFIED STAFF



POOR CALL CENTER MANAGEMENT

but it failed to develop a comprehensive recession plan. 

As a result, the economic downturn worsened EDD’s already poor performance.

## PRE-SHUTDOWN ORDER

TWO-THIRDS OF ONLINE CLAIMS DID NOT FILE AUTOMATICALLY

25% OF FIRST PAYMENTS WERE ISSUED LATE

LESS THAN 10% OF CALLS WERE ANSWERED

## POST-SHUTDOWN ORDER

**PAST DUE**

ALMOST 40% OF FIRST PAYMENTS WERE ISSUED LATER THAN 14 DAYS



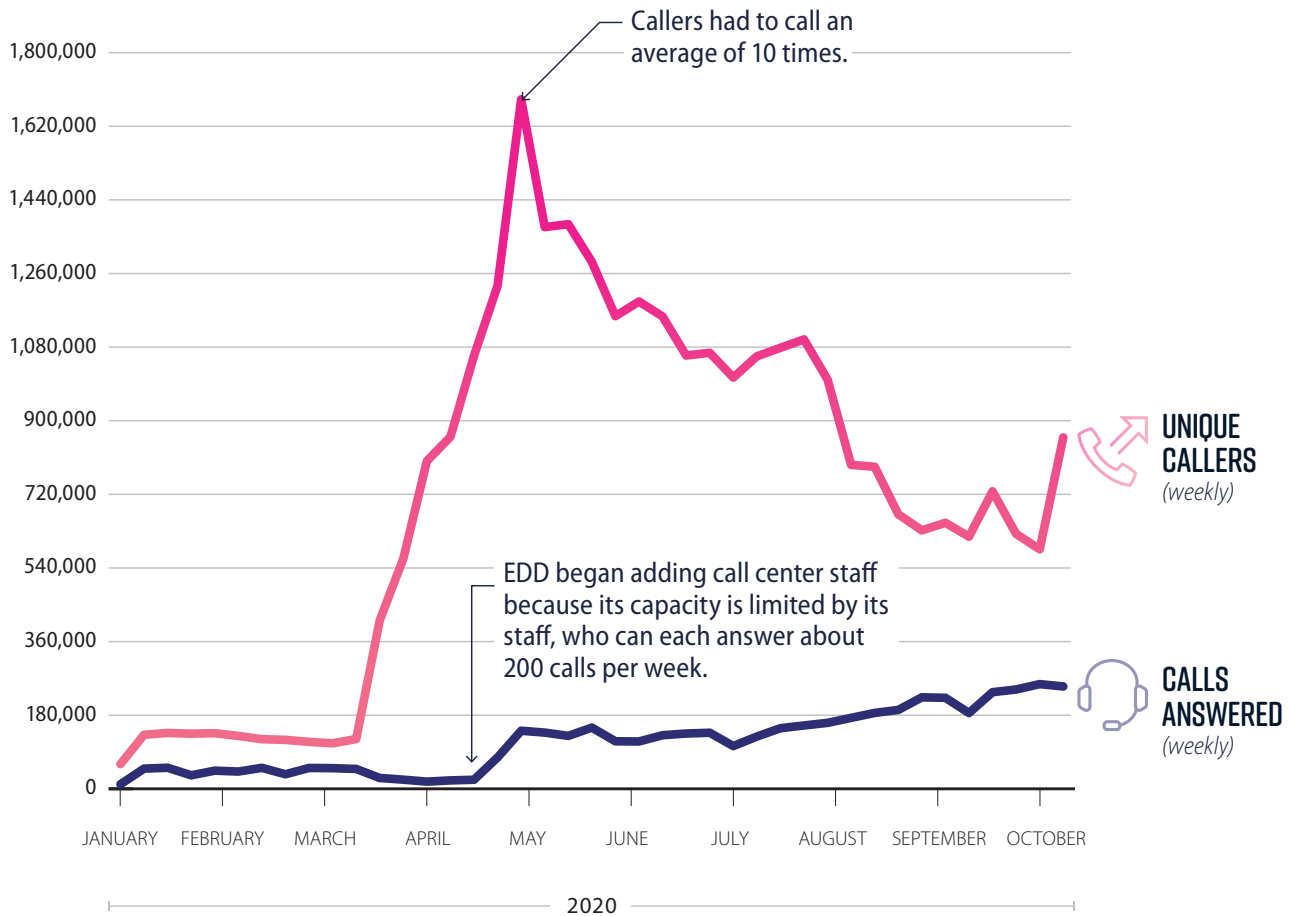
LESS THAN 1% OF CALLS WERE ANSWERED IN EARLY APRIL

## Recommendation

- *The Legislature should require EDD to develop a recession plan that would prepare it for economic downturns. The plan should include modifications to business practices that would allow EDD to maintain adequate service to Californians during increased demand for UI benefits.*

# EDD's Already Poor Call Center Performance Declined Significantly During the Pandemic

For more information, see page 37 of our report.



## Recommendations

To improve its call center performance, EDD should:

- By May 2021 adopt a policy that establishes a process for tracking and periodically analyzing the reasons why UI claimants call for assistance.
- Develop specialized training for its staff based on the reasons why callers contact EDD.
- By May 2021 EDD should also implement a policy for tracking and monitoring its rate of first-call resolution.



# EDD Paid Hundreds of Thousands of Claims Late

For more information, see page 14 of our report.

When claims surged to unprecedented levels, EDD struggled to effectively serve claimants.

FOR ONLINE CLAIMS FROM MARCH THROUGH SEPTEMBER 2020 . . .

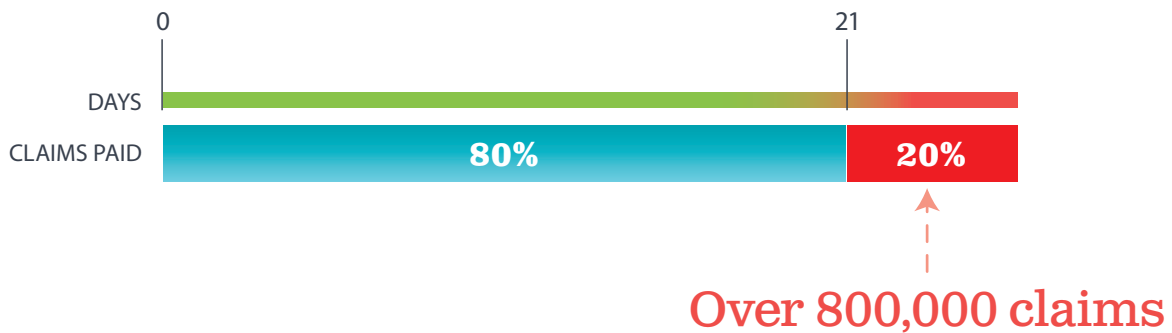
*Filed automatically*  
**52%**



*Needed additional intervention*  
**48%**



In 2019, EDD paid 88 percent of claims within three weeks. But, for claims submitted in April through September 2020, **EDD paid only 80 percent** within this time frame.



# EDD Provided Misleading Information About its Backlog

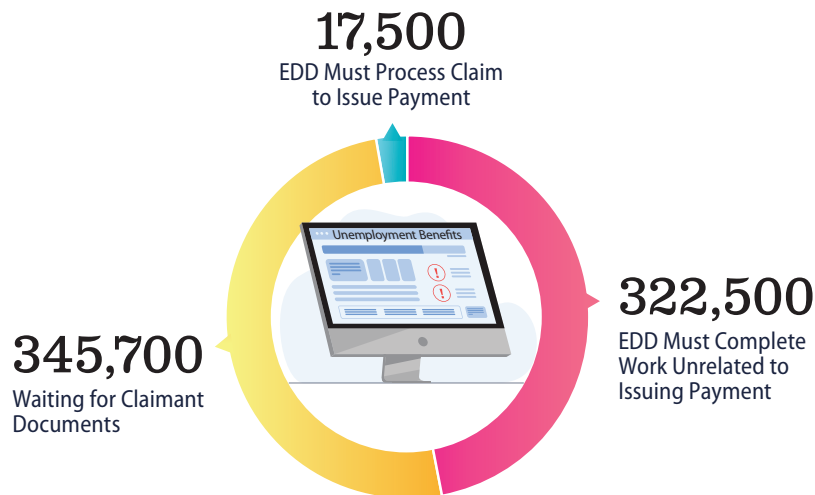
For more information, see page 11 of our report.

*As of December 15, 2020 EDD public dashboards showed . . .*

$$\begin{array}{r} 340,000 \dots \text{Waiting for payment} \\ + \quad 345,700 \dots \text{Waiting for claimant documents} \\ \hline = 685,700 \dots \text{Claims in the backlog} \end{array}$$



*But far fewer claims are waiting for payment . . .*

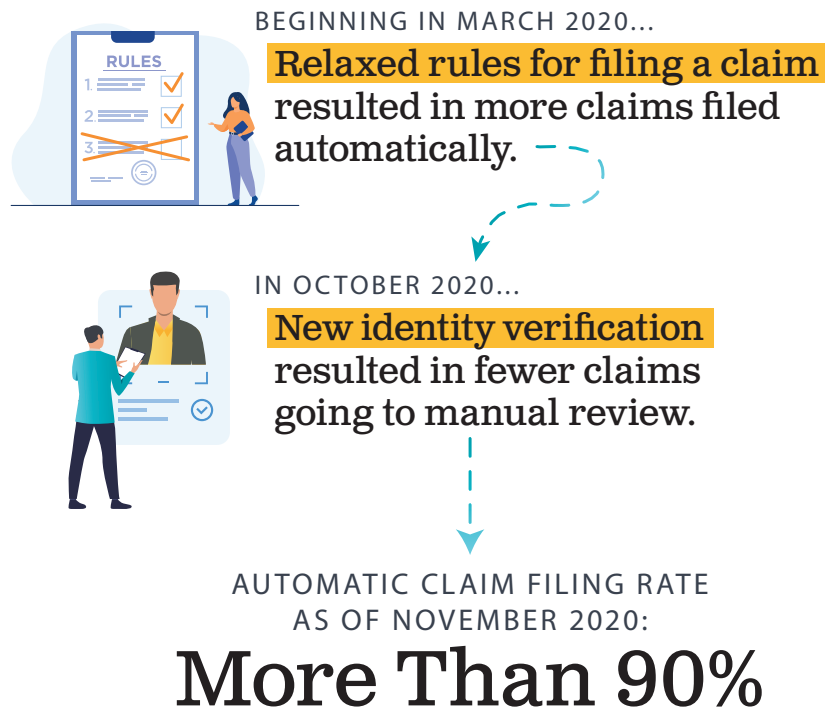


## Recommendation

- *By March 2021, EDD should revise its public dashboards to clearly indicate the number of claims that have waited longer than 21 days for payment because EDD has not yet resolved pending issues.*

# EDD May Struggle to Maintain Its Recent Progress in Automating Claim Filing

For more information, see page 18 of our report.



But EDD's changes are not all sustainable...

...because federal law temporarily changed eligibility requirements for some claims, EDD altered its processes to effect these changes and to automatically file more claims.



## Recommendation

- By June 2021, EDD should determine the automation it can retain as part of its regular business operations and by September 2021 it should make those features permanent.

# EDD Suspended Most Eligibility Requirements, Leaving It With a Large Future Workload

For more information, see page 25 of our report.

When economic shutdowns caused record numbers of Californians to apply for unemployment benefits...



EDD paid benefits without making most eligibility decisions.



In the upcoming months, EDD will have to review 12.7 million eligibility issues affecting up to 2.4 million claimants...



to determine which claimants may not have actually been eligible for all of the benefits they received and now need to repay money they received.



## Recommendation

- To address its deferred eligibility determinations, EDD should immediately begin performing a risk assessment of its deferred workloads and determine the most appropriate order in which to progress through the work.

# EDD Told Claimants to Stop Sending Required Documents and Now It May Require Claimants to Repay Benefits

For more information, see page 30 of our report.

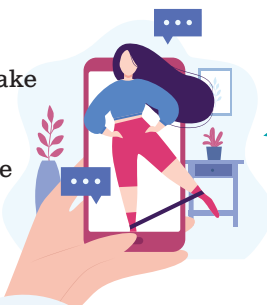


Before the COVID-19 shutdowns, Jane taught classes full time at a fitness studio.

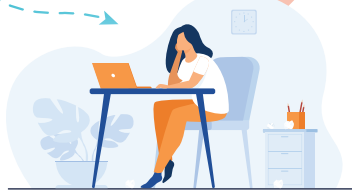


Jane filed a regular unemployment insurance claim in March 2020 and began receiving benefits.

At the end of April 2020, Jane began teaching classes online part time. This income may make her ineligible for some of the benefits she is receiving from EDD. Jane reported the income to EDD, but it did not review her correspondence.



In April 2020, EDD instructed Jane not to submit her continuing eligibility certifications.



In July 2020, Jane learns she needs to submit retroactive certifications and does so immediately.



EDD must validate her certifications and review her change in income. Afterwards, EDD may determine that Jane was ineligible for part of her benefit amount.



Even though Jane followed all of EDD's instructions and was suffering financially, EDD may now request she repay money she may not have.

## Recommendation

- The Legislature should require EDD to regularly report the amount of benefit payments for which it must assess potential overpayments, the amount for which it has issued overpayment notices, the amount it has waived overpayment on, and the amount repaid related to those notices.