

# VEC Unemployment Insurance (UI)

Update On Progress-To-Date

November 9, 2022

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# Agenda

- Backlogs
- Fraud
- Expenditures
- Usability
- JLARC



## State of the VEC: January 2022

- Backlogs: Virginians Still Waiting for Payment
- Technology: New System + Cyber Issues
- Team: New; Unprecedented Workload



## UI Initial Claims

Calendar Year	Claims Filed
2014	253,030
2015	210,080
2016	198,912
2017	168,028
2018	144,166
2019	135,064
2020	1,369,045
2021	609,772
2022 (Jan-Sept)	133,756

The COVID-19 response pushed initial claims to historic levels in April of 2020.

The week of 10/22/22-10/29/22 saw 766 Initial Claims.



# Backlog



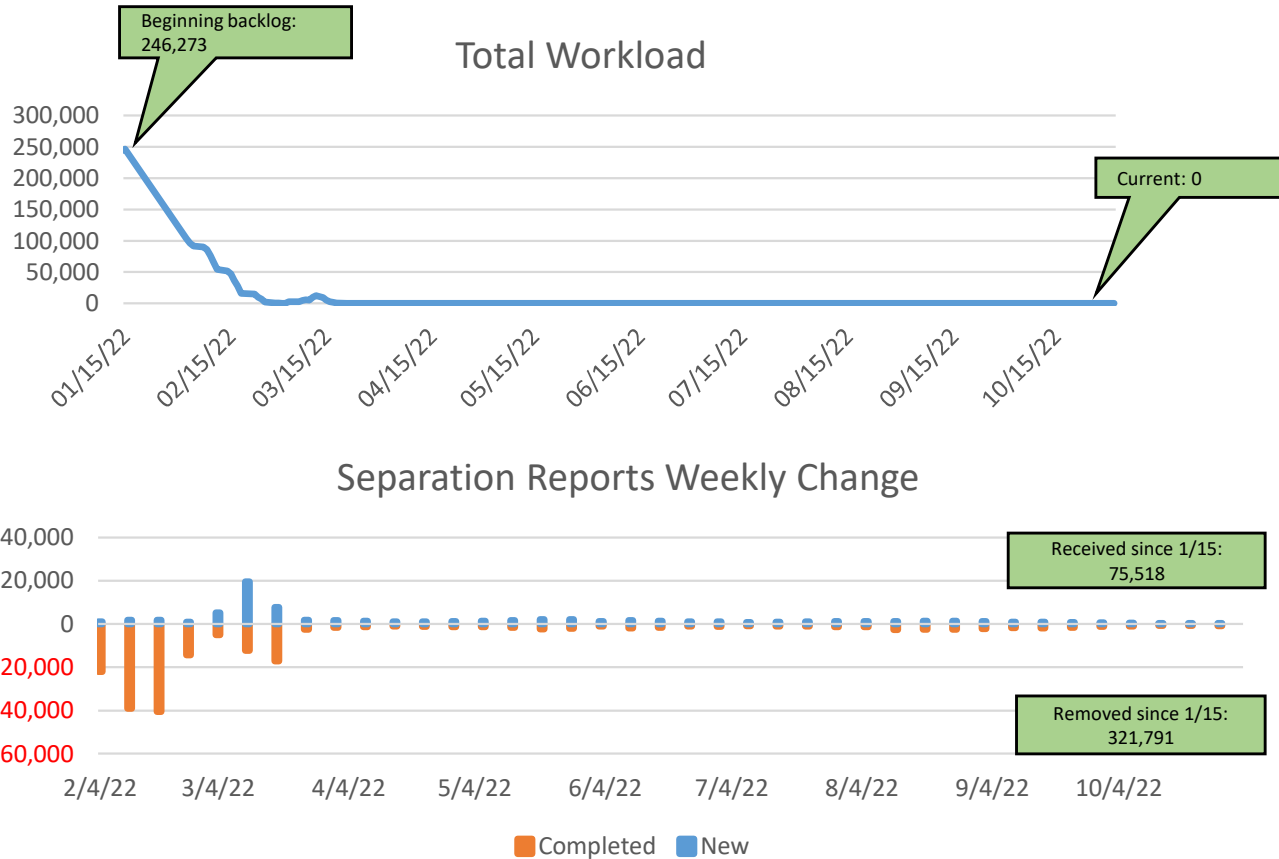
# Backlog Reduction + Work to Date

(as of 10/27)

Category	Starting Balance on 1/15	Received Since 1/15	Removed or Complete Since 1/15	Current Balance on 10/27
Separation Reports	246,273	75,518	321,791	0
Adjudication (Claims)	109,362	82,083	189,588	1,857
Potential Fraud (Claims)	258,320	57,942	255,089	61,173
First Level Appeals (Case Dockets)	86,546	80,906	67,474	99,978
<b>Total</b>	<b>700,501</b>	<b>296,449</b>	<b>833,942</b>	<b>163,008</b>



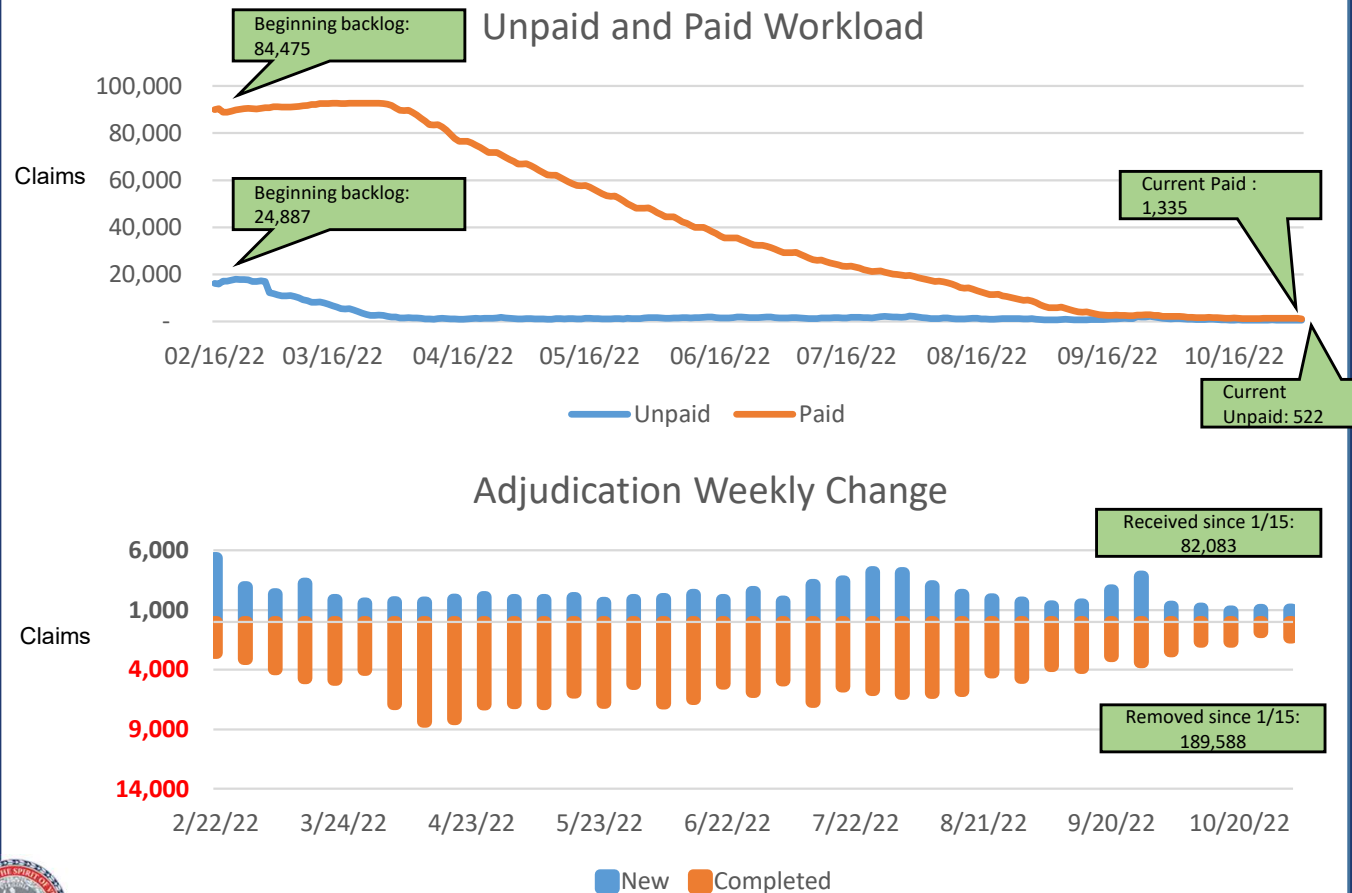
# Separation Reports



- Eliminated 246,273 Separation Report backlog on March 2nd
- Since March, incoming Separation Reports have been cleared within 48 hours



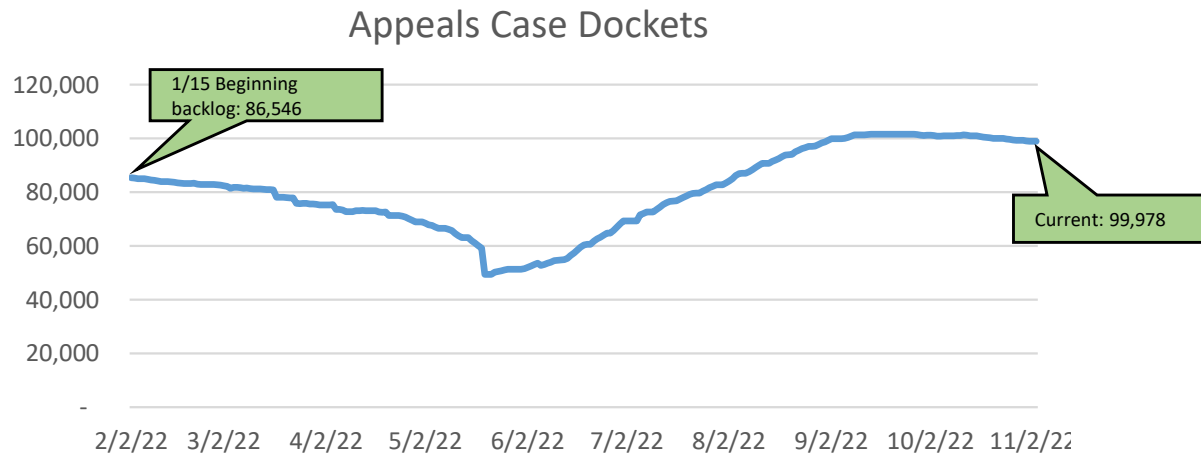
# Adjudication



- Prioritized Unpaid claims to serve Virginians
- January Unpaid Backlog Eliminated
- Zero Unpaid and 24 Paid Claims with issues established in 2020 or 2021 remain (as of 10/27)



# First Level Appeals



Removed duplicate and non-appeals to better serve true appellants

Claimants have the right to appeal on each issue, 99,978 dockets represents 53,497 claimants

Increased Appeals driven by progress of removing other backlogs



# Overpayment Waivers

Category	Count
Overpayment Waiver Applications Sent	528,812
Overpayment Waiver Applications Received	92,475
Waiver Applications Approved	59,350
Waiver Applications Denied	16,306
Waiver Applications in Appeals	6,045
Waiver Applications Vacated	4,104

Total Amount Waived as  
of 11/3/22:

**\$201,208,788**

State Overpayment  
Dollars Waived:

**\$61,892,381**

Federal Overpayment  
Dollars Waived:

**\$139,316,407**

Continue to Process  
Waivers for Applicable  
Timeframe



## Overpayments in Collections

- Overpayment Fraud
  - 21,780 payments
  - \$65,786,134 total dollars
- Overpayment Non-Fraud
  - 473,455 payments
  - \$1,045,715,099 total dollars

Overpayments Recovered:  
**\$6,963,338**

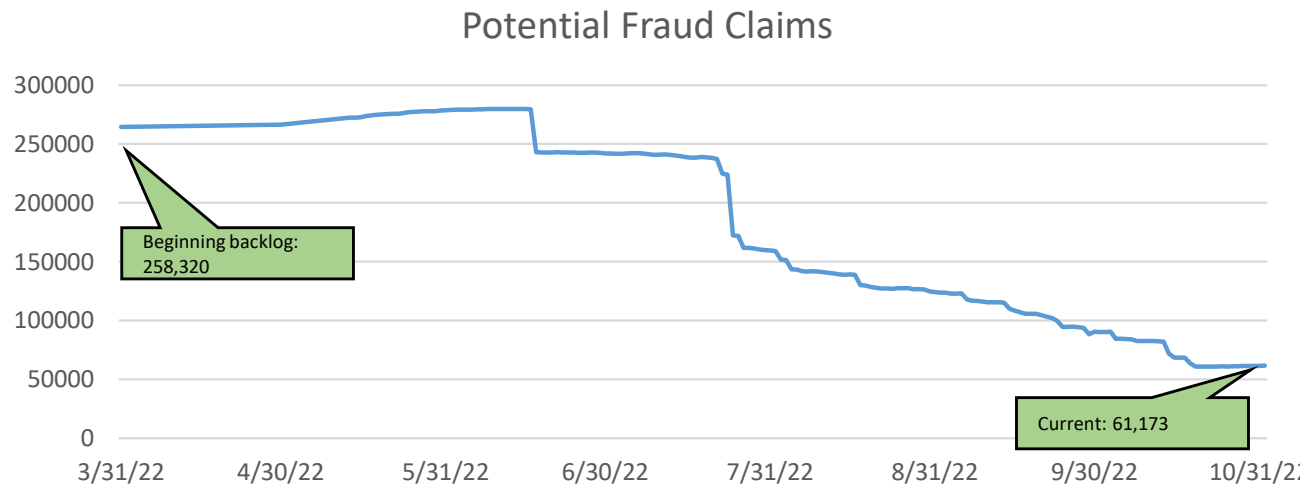
**Collections Allowed to Restart  
July 2022**



# Fraud



# Potential Fraud



- Potential Fraud Beginning Backlog: \$1,563,239,643
- Potential Fraud Current Backlog: \$602,516,240

Massive fraud attempt during system go-live in November 2021

Improved identity verification methods and anti-fraud tools



# Fraud

- Identity Theft: **197,303** Claims for **\$1,062,983,211**
- Administrative Fraud: **19,564** Claims for **\$59,810,298**
- Criminal Fraud: **2,119** Claims for **\$5,861,871**
- Total Benefit Payment Recovery: **\$292M**
- Policy of the Administration to pursue every case of confirmed fraud. We are working with both the Virginia Attorney General and the Federal Government to prosecute.
  - Total Convictions
    - 75 Cases
    - Over \$2 million in restitution ordered
    - Highest sentence is 103 months

Created New Position:  
Chief of Integrity and  
Compliance



# Expenditures



## General Assembly UI Trust Fund Authorizations

- December 24, 2020, deposit of \$210,000,000 from CRF
- September 21, 2021, deposit of \$862,000,000 from ARPA
- March 18, 2022, deposit of \$180,698,052 from CRF
- June 30, 2022, Overpayment Forgiveness deposit of \$18,723,959 from General Fund

Current Trust Fund  
Balance:  
\$1,474,699,488





## Additional Budget Authorizations (ARPA)

Item	Title	Description	Total
1	IT UI Mod Completion and Upgrades	Upgrade the UI System after completion of the third phase of the UI Mod Project.	\$43,200,000
2	Security	Support continued elevated security at each center for employee safety	\$2,000,000
3	Call Center	Support to increase and maintain call center capacity with staff augmentation	\$40,900,000
4	Adjudication Officers	Support third party contract for adjudication officers	\$5,100,000



# Usability



## Becoming a Customer-Focused Organization

- Hired Chief Customer Advocate and hiring 14 regional advocates
- Held customer service training for over 1,100 VEC employees
- 1,219 NASWA training courses completed by VEC employees
- Hired UI Training Manager to lead a new division devoted to consistent improvement. Conducted 146 internal UI training modules for the adjudication team
- Ran focus group sessions for claimant-related interest groups
- Launched claimant survey examining UI process usability sending out 7,000+ surveys and received 700+ responses
- Revising over 350 customer-facing documents to put into plain language



## Customer Contact Center

### Performance at a Glance

- 340,033 total inbound calls to the VEC in October
- October Average Wait Time: 8 minutes
- Average 125 VEC Staff and 77 Contract Staff per day
- Contractor Phase-out in December
- Upcoming Seasonal Layoffs and Permanent Layoffs

### Key Initiatives

- Expected volume scheduling
- First-Contact Resolution



# JLARC



# JLARC Recommendation Updates Summary

Responsible Party	Complete	Underway	TBD	On Hold	Not Started
VEC	18	19	1	0	1

# JLARC Recommendation Updates

Title	Responsible Party	Short Description	Details	Status
JLARC Recommendation #1	VEC	National firm to evaluate organization's staffing and related components	The secretary of labor should competitively procure a national firm with expertise in evaluating the efficiency of an organization's staffing structure, delegation of staff duties, and work processes to conduct a comprehensive efficiency review of the unemployment insurance (UI) operations of the Virginia Employment Commission to (i) identify specific actions that could be taken to improve the efficiency of VEC's UI operations, including through more efficient and effective use of staff and technology, (ii) recommend improvements to the agency's staffing and workflows to most effectively use existing federal funding for UI operations, and (iii) determine whether current funding is adequate to ensure effective UI operations. (Chapter 3)	Complete
JLARC Recommendation #2	VEC	Establish goals for the ratio of supervisory staff to direct reports	The Virginia Employment Commission should establish goals for the ratio of supervisory staff to direct reports, particularly for key functions including call centers, adjudication and appeals centers, and fraud investigations. Agency leadership should regularly monitor the ratio of supervisory staff to direct reports relative to the goals, and report performance in meeting these goals in the monthly commissioner's performance report. (Chapter 3)	Complete
JLARC Recommendation #3	Other Agency	Multi-agency workgroup to organize emergency-related issues due to staffing	The General Assembly may wish to consider including language in the Appropriation Act requiring the Virginia Department of Human Resource Management to lead a multi-agency workgroup, comprising agency leaders and human resources staff from state agencies most likely to be in need of staffing assistance during emergencies, to examine the feasibility of and policies and procedures necessary for (i) granting agencies exemptions from certain competitive hiring requirements during emergencies; (ii) requiring selected state agency staff to temporarily support other agencies in need of staffing assistance during emergencies through existing or new state initiatives; and (iii) providing necessary funding to cover the associated costs. The workgroup should propose criteria to determine under what circumstances these emergency hiring practices may be invoked and a process for invoking this authority as well as terminating it. The workgroup should submit its findings to the secretary of administration, the chair of the House Appropriations Committee, and the chair of the Senate Finance and Appropriations Committee by June 30, 2022. (Chapter 3)	Underway
JLARC Recommendation #4	VEC	Establish call center performance goals	The Virginia Employment Commission should establish meaningful performance goals for its call center operations and fraud investigations, and ensure it has goals for effectively measuring performance in all other aspects of unemployment insurance operations. Agency leadership should regularly monitor performance relative to the goals and report goals and performance in the monthly commissioner's performance report. (Chapter 3)	Underway
JLARC Recommendation #5	VEC	UI Quality assurance to report to VEC Commissioner	The Virginia Employment Commission (VEC) should transfer the unemployment insurance quality assurance unit from the unemployment insurance division and have it report directly to the VEC commissioner. (Chapter 3)	Complete

# JLARC Recommendation Updates

Title	Responsible Party	Short Description	Details	Status
JLARC Recommendation #6	VEC	UI Quality assurance to routinely report findings	The Virginia Employment Commission (VEC) should require its unemployment insurance quality assurance unit to compile its findings and recommendations in a central repository and routinely update VEC leadership on their status. (Chapter 3)	Complete
JLARC Recommendation #7	VEC	Legislation to increase UI staffing, communications, etc. in times of high need	The General Assembly may wish to consider amending § 60.2-111 of the Code of Virginia to require the Virginia Employment Commission to develop and maintain an unemployment insurance resiliency plan that describes the specific actions the agency would take, depending on the level of increase in unemployment insurance (UI) claims, to address staffing, communications and other relevant aspects of operations to ensure continued efficient and effective administration of the UI program. (Chapter 3)	Underway
JLARC Recommendation #8	VEC	Key policies and significant changes are communicated to all VEC staff	The Virginia Employment Commission (VEC) commissioner should ensure that all key policy or other significant changes that could affect the public, VEC, or VEC staff are communicated clearly and expeditiously to all VEC staff, especially those in leadership or positions communicating with the public. (Chapter 3)	Complete
JLARC Recommendation #9	VEC	Legislation to monitor VEC's key metrics, improve processes, and act to fix weaknesses	The General Assembly may wish to consider including language in the Appropriation Act or amending § 30-222 of the Code of Virginia to create a subcommittee of the Commission on Unemployment Compensation to monitor the Virginia Employment Commission's: (1) key performance metrics related to UI backlogs; (2) efforts to identify, prevent, and recover incorrect UI benefits payments, including fraudulent payments; (3) project to modernize the UI IT system; (4) expenditure of state funds appropriated for UI administration; and (5) implementation of JLARC recommendations. The subcommittee should include individuals who can represent the interests and experiences of claimants and employers. The subcommittee could include members of the following General Assembly committees: Commission on Unemployment Compensation, House Appropriations, Senate Finance and Appropriations, House Labor and Commerce, and Senate Commerce and Labor. The subcommittee should meet at least once quarterly and sunset on June 30, 2025. (Chapter 3)	Underway
JLARC Recommendation #10	VEC	Review and Revise UI Documents and online resources	The Virginia Employment Commission (VEC) should, as soon as possible, have staff in its internal audit division review and revise documents and online resources to more clearly describe and explain (i) eligibility criteria for Unemployment Insurance (UI), (ii) how to navigate the UI claims and appeals process, and (iii) the status or outcome of a claim. VEC should use examples from other states and input from VEC staff and customers and should competitively procure a third party contractor with expertise in UI and customer communications to assist with these efforts. (Chapter 4)	Underway



# JLARC Recommendation Updates

Title	Responsible Party	Short Description	Details	Status
JLARC Recommendation #11	VEC	VEC to develop increased UI communications for the public	The Virginia Employment Commission should develop (i) a series of instructional, short videos designed to help claimants better understand their potential eligibility for unemployment insurance, the steps of the application process, and how to file a claim and (ii) an interactive, online eligibility tool that enables claimants to better understand their potential eligibility and benefits under the program. (Chapter 4)	Underway
JLARC Recommendation #12	VEC	VEC to have reserve staff to help with UI during high volumes	The Virginia Employment Commission should build a reserve of staff to assist with claims during periods of high claims volume by identifying workforce services division staff whose time can practicably be reassigned to non-workforce activities during periods of high unemployment insurance claim volume. These staff should be cross-trained on key unemployment insurance processes. (Chapter 4)	Complete
JLARC Recommendation #13	VEC	Adjudication priorities and policies during high volume	The Virginia Employment Commission should formalize a policy for prioritizing and assigning claims for adjudication during periods of high claims volume. This policy should detail how prioritization may change in response to claims volume and clearly state the expectation that VEC should generally prioritize resolving older claims. (Chapter 4)	Underway
JLARC Recommendation #14	VEC	Develop a plan to address adjudication of submitted claims in 2020, 2021	The Virginia Employment Commission (VEC) should develop a detailed plan that includes specific actions and a timeline to resolve (i) outstanding adjudications and (ii) all issues on claims that VEC bypassed in 2020 and 2021. The plan should quantify the numbers and qualifications of new staff needed to resolve these claims, outline the actions planned for hiring needed staff, and identify potential risks and mitigation strategies. VEC should submit the plan to the House Labor and Commerce Committee, the Senate Commerce and Labor Committee, the Commission on Unemployment Compensation, and the governor by November 1, 2021 and provide a status update to each body quarterly in 2022. VEC should also publish the plan and updates on its website. (Chapter 4)	Complete
JLARC Recommendation #15	VEC	Contract with 3rd party call center to use during high volume	The Virginia Employment Commission should maintain an ongoing staff augmentation contract with a provider that is experienced in providing call center services for unemployment insurance programs and can quickly provide increased call center staff when call volumes increase. (Chapter 4). <i>Note JLARC Policy Option #1 also addresses the issue of third-party call center contracts.</i>	Underway
JLARC Recommendation #16	VEC	Quarterly reporting on call center performance	The Virginia Employment Commission (VEC) should provide a written quarterly update on the performance of its call centers to the House Labor and Commerce Committee, the Senate Commerce and Labor Committee, the Commission on Unemployment Compensation, and the governor by December 31, 2021 and at the end of each quarter in 2022. VEC should also publish these updates on its website. (Chapter 4)	Underway
JLARC Recommendation #17	VEC	Develop team for each call center for quality and performance monitoring	The Virginia Employment Commission (VEC) should establish and maintain a dedicated quality monitoring team composed of VEC staff from each customer contact center. This team should use the recently procured quality monitoring software to regularly review and assess call quality and performance for all VEC call agents, and identify any additional training needs on an agent-by-agent basis through weekly monitoring and assessment of at least three calls per agent. (Chapter 4)	Complete

# JLARC Recommendation Updates

Title	Responsible Party	Short Description	Details	Status
JLARC Recommendation #18	VEC	Legislation to disallow appeals for certain ineligible claims	The General Assembly may wish to consider amending § 60.2-619 of the Code of Virginia to specify that non-valid unemployment insurance claims resulting from monetary ineligibility are ineligible for appeal through the Virginia Employment Commission's (VEC's) appeals division. (Chapter 4)	Complete
JLARC Recommendation #19	VEC	Revise ineligibility notices to be more clear for claimants	The Virginia Employment Commission should revise monetary determination notices to clearly indicate if a claim is non-valid because of monetary ineligibility, and direct claimants who disagree with their non-valid monetary determination to request a redetermination from the monetary determination unit. (Chapter 4)	Underway
JLARC Recommendation #20	VEC	Create ombudsman position to provide impartial information about the appeals process	The General Assembly may wish to consider amending Article 2 of Chapter 1 of Title 60.2 of the Code of Virginia to direct the Virginia Employment Commission to create an appeals ombudsman position to provide impartial information about the unemployment insurance appeals process and help ensure that all parties are afforded due process in such appeals. (Chapter 4)	Complete
JLARC Recommendation #21	VEC	Create adjudication training program	The Virginia Employment Commission should develop a standardized training program that explains how to conduct high quality unemployment insurance claims determinations and that is administered by a dedicated training manager to all new and existing adjudication staff. (Chapter 5)	Complete
JLARC Recommendation #22	VEC	Require employers to electronically provide separation information	The General Assembly may wish to consider amending §60.2-121.1 of the Code of Virginia to require employers to electronically provide separation information when requested to the Virginia Employment Commission unless they are granted a waiver from providing this information electronically. (Chapter 5)	Complete
JLARC Recommendation #23	VEC	VEC to audit sample of UI claims for compliance	The Virginia Employment Commission should resume auditing a sample of UI claims to verify compliance of claimants with the unemployment insurance program work search requirement no later than December 1, 2021. (Chapter 5)	Complete
JLARC Recommendation #24	VEC	VEC to develop a plan to investigate and prioritize backlog of fraudulent claims	The Virginia Employment Commission (VEC) should develop a plan for investigating the backlog of potentially fraudulent claims and establish a strategy for prioritizing its investigations according to the potential dollar amount of fraudulent payments per claim. This plan should include a strategy for hiring additional fraud investigators and expediting training of new hires. This plan should be presented to the House Committee on Labor and Commerce, the Senate Committee on Commerce and Labor, the Commission on Unemployment Compensation, and the governor by December 31, 2021. VEC should also publish these updates on its website. (Chapter 5)	Underway
JLARC Recommendation #25	VEC	VEC to resume overpayment recovery activities	The Virginia Employment Commission (VEC) should immediately resume overpayment recovery activities for all finalized overpayments and initiate collections activities for all future overpayments immediately after finalization. VEC should also create and adhere to internal timeliness standards for processing all previously received and future overpayment waiver applications to ensure overpayments are finalized and recovery activities are initiated in a timely manner. (Chapter 5)	Complete

# JLARC Recommendation Updates

Title	Responsible Party	Short Description	Details	Status
JLARC Recommendation #26	VEC	VEC to collect feedback from claimants and employers about the UI interface and system usability	The Virginia Employment Commission (VEC) should regularly collect feedback on the usability of the new Unemployment Insurance benefits information technology system from claimants and employers and make regular improvements to the system, as necessary, that address such feedback. VEC should provide a summary of user feedback and planned and completed system changes to the House Committee on Labor and Commerce, the Senate Committee on Commerce and Labor, the Commission on Unemployment Compensation, and the governor by March 31, 2022 and at the end of each quarter in 2022. VEC should also publish this information on its website. (Chapter 6)	Underway
JLARC Recommendation #27	VEC	VEC to request for information to improve UI IT system	The Virginia Employment Commission (VEC) should conduct a request for information to identify additional features needed for a modernized unemployment insurance IT system and hire a vendor to develop these features or develop them using agency staff. (Chapter 6)	Underway
JLARC Recommendation #28	VEC	UI IT contractor to develop a improvement plan for tax system problems	The Virginia Employment Commission should require its unemployment insurance IT modernization contractor to develop a plan that includes specific actions and a timeline for addressing all existing tax system problems and details (1) how each problem will be fixed, (2) deadlines for fixing each problem, and (3) any additional resources needed to fix the problems. (Chapter 6)	Underway
JLARC Recommendation #29	VEC	UI IT contractor to ensure all IT staff are trained	The Virginia Employment Commission (VEC) should establish a plan with its unemployment insurance modernization vendor to ensure VEC IT staff are sufficiently trained to operate and modify the employer tax system. (Chapter 6)	Underway
JLARC Recommendation #30	VEC	Facilitate an IT Security Audit	The Virginia Employment Commission (VEC) should work with the Virginia Information Technologies Agency (VITA) to facilitate an audit of VEC's IT security systems and to identify any necessary IT security improvements. The audit should be completed by a vendor approved by VITA. The audit should validate whether VEC's existing IT security systems meet the requirements issued by VITA. (Chapter 6)	Underway
JLARC Recommendation #31	VEC	Transform all IT systems and servers to state's central IT	The Virginia Employment Commission should fully transform all agency IT systems and servers to the state's central IT infrastructure as soon as possible. (Chapter 6)	Underway
JLARC Recommendation #32	VEC	Legislation to report on UI metrics	The General Assembly may wish to consider amending section § 60.2 of the Code of Virginia to require the Virginia Employment Commission (VEC) to annually calculate average unemployment insurance (UI) benefit levels, the average income replacement of UI benefits in Virginia, and the reciprocity rate for UI benefits. VEC should provide this information in its annual report to the Commission on Unemployment Compensation. (Chapter 7)	Complete
JLARC Recommendation #33	VEC	Pilot program to audit unregistered employers to the VEC to scout out tax liability	The Virginia Employment Commission (VEC) should conduct a one-year pilot program to identify employers who owe unemployment insurance taxes but are not registered with VEC by auditing employers who do not register with VEC after receiving notifications of potential tax liability. VEC should assess the pilot program's effectiveness to decide whether to use this methodology on an ongoing basis. (Chapter 8)	Not Started
JLARC Recommendation #34	VEC	Pilot program to audit employers who are misclassifying workers	The Virginia Employment Commission (VEC) should conduct a one-year pilot program to identify employers who owe unemployment insurance taxes but are not registered with VEC by auditing a sample of employers who may be misclassifying workers based on their 1099 tax filings. VEC should assess the pilot program's effectiveness and decide whether to use this methodology on an ongoing basis. (Chapter 8)	Complete

# JLARC Recommendation Updates

Title	Responsible Party	Short Description	Details	Status
JLARC Recommendation #35	VEC	Reinstate SUTA dumping	The Virginia Employment Commission should reinstate its State Unemployment Tax Act dumping identification system no later than December 2022. (Chapter 8)	Underway
JLARC Recommendation #36	VEC	Focus half of annual audits on employers who are at-risk for UI tax avoidance	The Virginia Employment Commission (VEC) should modify existing unemployment insurance (UI) tax audit policies to require field tax auditors to conduct at least half of their audits per year from a list of employers identified to be at-risk for UI tax avoidance. VEC should define “at-risk” to include industry and employer-specific factors and establish a system for consistently identifying such employers. (Chapter 8)	Underway
JLARC Recommendation #37	VEC	Begin using federal Treasury Offset Program	The Virginia Employment Commission should begin using the federal Treasury Offset Program for applicable delinquent taxes as soon as staff resources become available. (Chapter 8)	Complete
JLARC Recommendation #38	VEC	Report quarterly on employers with 6+ months of tax due	The Virginia Employment Commission should provide quarterly reports to tax division regional managers that list each employer with tax debt more than six months past due and require the managers to use this information to ensure that tax field staff are taking all reasonable steps to collect the debt. (Chapter 8)	Complete
JLARC Recommendation #39	VEC	VEC to designate Customer Experience positions for employer tax questions	The Virginia Employment Commission should designate Customer Experience positions in the tax division to handle basic employer communications and questions. (Chapter 8)	Underway
JLARC Recommendation #40	VEC	VEC to require employers to electronically make UI payments	The Virginia Employment Commission should require employers to make unemployment insurance payments electronically starting in 2023, develop criteria that would allow employers to be granted an exception to this requirement, and notify employers of the criteria. (Chapter 8)	TBD

Questions/Comments:

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