



JIM PATTERSON
ASSEMBLYMAN, TWENTY-THIRD DISTRICT

June 26, 2020

The Honorable Rudy Salas, Chair
Joint Legislative Audit Committee
1020 N Street, Room 107
Sacramento, CA 95814

Re: Employment Development Department COVID-19 Response

Dear Chairman Salas:

In the months since the March economic shutdown due to the COVID-19 pandemic, almost six million Californians have applied for unemployment insurance. With 1 in 6 Californians still unemployed despite the State's gradual reopening, the Employment Development Department's (EDD) efforts to meet the needs of jobless individuals is more critical than ever. This urgent matter warrants the immediate attention of this Committee and the State Auditor. Therefore, we are requesting an audit of the Employment Development Department's response to the COVID-19 pandemic. We are also requesting priority status for this audit.

My office and those of every Member of the Senate and Assembly have worked tirelessly to help tens of thousands of our constituents, many of whom still have received no payment or no explanation from the EDD since March.

In that time, several disturbing facts have come to light that demand additional investigation.

According to data from Deloitte Consulting, during one week in May, out of 1.5 million total phone calls from 600,000 unique calls, only 150,000 were able to speak to a live person. This means 75 percent of people calling did not get the attention they so desperately needed. These numbers do not include the recurring hang-ups that have been widely described by callers who get through to a representative, only to be disconnected mid-conversation – an issue that has been commonplace since before the pandemic.

After receiving dozens of complaints from constituents who had been waiting weeks for their EDD-provided Bank of America debit card, we learned from Bank of America that the delay was caused by the EDD's failure to submit all the names and information required - the final step in the unemployment process.

Any one of these issues would cause an unnecessary delay for constituents to receive their benefits. Together, they create a nearly insurmountable challenge for constituents in desperate need of their benefits. For some this means waiting over 120 days to receive access to their benefits. These are just a few examples of the failures of this agency—failures which were not brought on by the pandemic—but merely amplified by it. While the economic shutdown due to COVID-19 undoubtedly caused significant workload challenges, the EDD has a well-documented history of prolonged poor performance that has impacted California workers for nearly two decades.

A 2011 audit of the agency showed that from 2002 to 2011 the department failed to meet acceptable performance levels as set by the federal labor department. It further revealed that most of the department's long-term corrective actions had not improved its ability to issue timely first payments or promptly determine eligibility.

Nine years later, the EDD has failed to significantly improve performance and continues to create frustrating problems due to significantly outdated technology. In fact, a \$30 million modernization project that was launched four years ago is still in the planning stages.

The EDD has entered into at least two no-bid contracts worth more than \$16 million with Deloitte, despite a history of cost overruns and failures on EDD IT projects. The contracts, approved in May 2020, were granted to improve EDD's online portal for processing unemployment claims as well as improve their phone system.

The EDD call centers were almost instantly overwhelmed with phone calls at the start of the COVID-19 shutdown, yet even with the longstanding relationship with Deloitte and the eventual decision to enact a no-bid contract, it wasn't until mid-April that Deloitte was brought on to help answer calls.

Californians cannot wait any longer for these issues to be addressed. The response and processing times over the past 15 weeks have not improved. My office alone has worked on nearly 800 cases since March 16, with new cases still coming in daily. Some of the ongoing problems my constituents have faced include:

- EDD is misleading legislative offices by claiming they are currently responding to claim inquiries sent on a specific date, yet legislative offices have a backlog of cases that are much older which have yet to be resolved. For example, the EDD may say they are responding to cases from May 20 but legislative offices have cases dating back to March that have not been addressed.
- The EDD continues to only answer specific questions between the hours of 8am-12pm after misleading the public by announcing that they had opened phone hours from 8am-8pm.
- Prior to COVID-19, our office had received dozens of complaints regarding call wait times with the majority waiting for more than 2 hours or being disconnected before speaking with an EDD representative. When questioned, the EDD claimed their average wait time was no longer than 7 minutes. During the economic shutdown, we continue to receive hundreds of complaints from constituents who call between 75 and 100 times a day, or more, and never connect with an EDD representative.
- The phone callback option, given to constituents who are waiting on hold, failed to work prior to or during the economic shutdown. We have received several reports from constituents who have selected the callback option, only to be disappointed waiting for a call that never comes.
- The EDD continues to make several errors while processing unemployment claims, leaving constituents with little to no means of fixing the problem. One such example was a constituent's unemployment claim being denied because her *online form* was deemed "illegible". To make matters worse, the EDD didn't feel it was necessary to explain why the claim was being denied, but rather just sent her a general denial letter leaving her with a lengthy appeal process as her only option. This is just one of hundreds of examples which are preventing innumerable individuals from collecting unemployment.
- EDD Legislative staff was not actually working on cases themselves. In fact, they were forwarding legislative cases to the already overwhelmed Unemployment Insurance department and were not redirected to help with casework until June.

- Veterans who recently returned from active duty continue to suffer from the EDD shortcomings because they are required to speak with an EDD representative before they can be awarded their unemployment benefits. Worse yet, they're only able to have this issue resolved between the hours of 8am-12pm, which poses a significant challenge given the EDD's track record of answering phone calls. One veteran who contacted our office called the EDD 50 times a day for two weeks before he was able to have the issue resolved.

For the above reasons, we are requesting an audit of the Employment Development Department addressing the following issues:

1. Has EDD taken reasonable, appropriate, and timely actions to address the sudden increase in call center volume resulting from the COVID-19 crisis?
2. What percentage of claims have experienced delays longer than 21 days? How many are past 40 days? Does EDD take appropriate steps to prioritize and address delayed applications?
3. Did EDD take proactive steps to mobilize internal resources? What additional measures could be implemented to improve efficiency? Has EDD taken appropriate steps to improve handling of referrals from legislative offices?
4. Have EDD's actions resulted in a measurable improvement in response times since the onset of the pandemic? What percentage of unique callers have been able to connect with a live person, and how long were callers in queue? How many callers are hung up on?
5. Since the onset of the pandemic, has the EDD's response been hampered by obsolete technology, including but not limited to their website and phone systems? How have these IT issues prevented EDD employees from assisting customers?
6. What is the status of the delayed \$30 million technology upgrade? What improvements could be expedited to immediately improve EDD's pandemic response? Was the decision to award \$16 million in no-bid contracts to Deloitte to improve EDD's online and phone system adequately justified? Were any other contractors considered? Are the costs reasonable, and does the contract have sufficient safeguards to ensure accountability? Does Deloitte provide sufficient data for EDD to assess the contractor's performance?
7. How do the failed procedures at the EDD impact the issuance of funds and debit cards from Bank of America?
8. Does EDD have appropriate policies and procedure in place to identify errors that occur during the processing of UI claims? What is the error rate and has it increased since the onset of the pandemic? What steps does EDD take to immediately correct errors and implement changes to prevent future errors?
9. Why did EDD experience delays in implementing the new unemployment programs authorized and funded through the federal CARES Act? What steps could be taken to accelerate EDD's implementation of new programs and benefits?

Thank you for your consideration of this request. Should you have any questions or need additional information, please contact Christina Nelson at (916) 319-2023.

Sincerely,



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Assemblymember, 23rd District



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Senator, 16th District



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Andreas Borgeas
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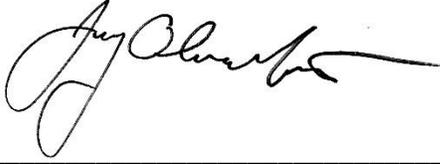
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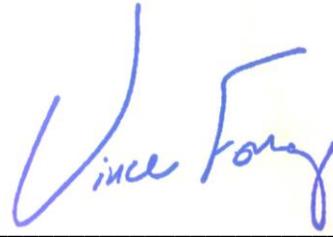
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