



GRETCHEN WHITMER
GOVERNOR

STATE OF MICHIGAN
DEPARTMENT OF TALENT AND ECONOMIC DEVELOPMENT
LANSING

STEPHANIE BECKHORN
ACTING DIRECTOR

MEMORANDUM

DATE: February 12, 2019

TO: The Honorable Jim Stamas, Chair
Senate Appropriations

The Honorable Shane Hernandez, Chair
House Appropriations

FROM: Stephanie Beckhorn, Acting Director
Talent and Economic Development (TED)

SUBJECT: Public Act 207 of 2018, Section 1076 Report

Per Article VIII, Section 1076 of the Omnibus Budget, Public Act 207 of 2018 Sec. 1076, the Department of Talent and Economic Development shall provide a quarterly report to the members of the Senate and House Committees on Appropriations, the Senate and House Fiscal Agencies, and the State Budget Director that includes, but is not limited to, the following:

- a) The number of new fraudulent and noncompliant cases that have been identified or issued by the Unemployment Insurance Agency, classified by employer or claimant, during the quarter.
- b) The total amount of penalties and interest issued on fraudulent and noncompliant cases during the quarter.
- c) The total amount of penalties and interest dollars received during the quarter by employer or claimant.
- d) The total amount of penalties and interest still owed to the state by employer or claimant.
- e) The number of fraudulent and noncompliant cases that have been appealed by an employer or claimant during the quarter.

If you have any questions, please contact Jeffrey Cassidy, TIA Legislative Liaison at (517) 290-3226.

Attachment

cc: Members, Senate and House Appropriations Committees
Christopher Harkins, Director, Senate Fiscal Agency
Mary Ann Cleary, Director House Fiscal Agency
Chris Kolb, State Budget Director

**Unemployment Insurance
Fraud Quarterly Report
1st quarter - October 1 to December 31, 2018**

Sec. 1076. The Department of Talent and Economic Development shall provide a quarterly report to the members of the senate and house committees on appropriations, the senate and house fiscal agencies, and the state budget director that includes, but is not limited to, the following:

- a) The number of new fraudulent¹ and noncompliant² cases that have been identified or issued by the Unemployment Insurance Agency, classified by employer or claimant, during the quarter.

Employers	0 fraudulent cases, 12,726 negligence penalty cases, 12,119 non-reporting penalty cases, 18,598 wage penalty cases and 18,172 late reporting penalty cases
Claimants	112 new fraudulent cases

- b) The total amount of penalties and interest issued on fraudulent and noncompliant cases during the quarter.³

Employers	\$9,386,377
Claimants	\$2,648,167

- c) The total amount of penalties and interest dollars received during the quarter by employer or claimant.

Employers	\$5,778,359
Claimants	\$1,473,282

- d) The total amount of penalties and interest still owed to the state by employer or claimant.⁴

Employers	\$25,288,181
Claimants	\$15,551,000

¹ Fraud penalties are equal to the amount improperly paid on the first offense, 1.5 times the amount obtained for subsequent offenses, and 4 times the amount obtained in cases of identity theft (MCL 421.54(b))

² Employer non-compliant penalties and interest are defined as follows:

- Negligence penalty: Failure to file report due to negligence or intentional disregard but without intention to defraud (MCL 421.15(h)), one-time penalty
- Non-reporting penalty: Failure to file quarterly report(s) during the previous year computation date (MCL 421.18(d)(2)), added to annual tax rate
- Wage penalty: Failure to file quarterly wage detail report or submitting incomplete erroneous report and failing to correct after notification by the agency (MCL 421.54(c)(2)), recurring penalty until matter is resolved
- Late reporting penalty (MCL 421.54(c)(1)): Failure to file report within 10 days after end of reporting month, one-time penalty

³ These numbers are based on the date the assessment becomes final and may reflect cases from (a) on previous quarter's report.

⁴ The amount reported will be updated annually based on the amounts determined collectible by the annual OAG financial audit conducted using Generally Accepted Accounting Principles (GAAP).

e) The number of fraudulent cases that have been appealed by an employer or claimant during the quarter.

Employers	1 noncompliant case
Claimants	42 fraud cases