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Office of Governor Steve Sisolak

January 28, 2021

Re: Report of DETR Rapid Response Strike Force

I am pleased to release today the attached report on the findings of the DETR Rapid Response Strike Force, chaired by former Speaker of the Nevada Assembly Barbara Buckley. I want to extend my sincerest thanks to Speaker Buckley and all the members of the Strike Force. These individuals from across the public and private sectors devoted themselves to identifying and addressing issues in Nevada's overburdened unemployment insurance systems—spending countless hours over the course of five months, all on a volunteer basis, to help our State improve its systems and provide desperately needed services to Nevadans.

Under the leadership of the DETR's new Director, Elisa Cafferata — with significant help and guidance from the Strike Force — and with the added manpower of hundreds of Division of Welfare and Supportive Services (DWSS) employees, DETR has made incredible strides in reducing the backlog of claims awaiting resolution or payment. I am so grateful to the hundreds of State employees, both at DETR and DWSS, who worked long hours to resolve claims and get eligible claimants their money. I would also like to extend my thanks to Department of Health and Human Services Director Richard Whitley and DWSS Administrator Steve Fisher for the ongoing loan of DWSS employees to DETR.

Still, it cannot be overstated that the findings of this report are sobering. Nevada has faced, as Speaker Buckley puts it, an “avalanche of claims,” many of which were fraudulent, all while implementing multiple new federal unemployment programs with insufficient staffing for the crisis at hand and outdated systems that were not up to the task. While challenges remain, I am proud of the work of the Strike Force, DETR leadership and employees, and DWSS employees to tackle these issues head-on, and am confident that DETR's current leadership can carry forward the Strike Force's progress. I am committed to ensuring that DETR receives the support it needs to provide critical services to Nevadans in the months and years to come.

Sincerely,

Governor Steve Sisolak
State of Nevada

A blue ink signature of Governor Steve Sisolak, consisting of two stylized loops and a horizontal line.

Report of Rapid Response Strike Force

January 25, 2021





CHAIR

Barbara Buckley
Former Speaker, Nevada State Assembly

MEMBERS

Vanessa Alpers
Department of Health & Human Services

David Axtell
Chief Enterprise Architect, State of Nevada

Elisa Cafferata
Director, Department of Employment, Training and Rehabilitation (DETTR)

Alan Cunningham
Chief Information Officer, State of Nevada

Steve Fisher
Administrator, Division of Welfare and Supportive Services (DWSS)

Anthony Pearl
General Counsel and Chief Compliance Officer,
The Cosmopolitan of Las Vegas

Mike Schmitt
CEO and Owner, Clairvoyix

Chuck Short
Retired CEO, Eighth Judicial District Court
& President, CTS Business Solutions

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Letter from Rapid Response Chair Barbara Buckley

In August 2020, I was honored to be asked by Governor Sisolak to chair a Rapid Response Strike Force to identify issues and make recommendations regarding the State's unemployment compensation system. At the time, the Director of the Department of Employment, Training and Rehabilitation (DETR) had resigned, as had the Deputy Director. The Employment Security Division (ESD) was facing an unprecedented avalanche of claims: from March 15, 2020 to July 31, 2020, 469,191 "regular" unemployment claims had been filed and another 344,681 Pandemic Unemployment Assistance (PUA) claims had been filed, totaling 813,872. In April 2020, it was estimated that the State's unemployment rate was 30.1%, the highest unemployment rate ever recorded for any state in any month, including in the Great Depression. By May, the rate began to decrease significantly, but by then, ESD was facing a tidal wave of claims. It went from administering 20,000 unemployment compensation claims a week in early March 2020 to processing over 300,000 claims a week by August. By December 2020, **1.5 million initial unemployment claims had been filed since the pandemic began**. At the same time, the Division was hit with fraud at a rate never seen before, receiving at least 400,000 fraudulent claims. The fraudulent claims used valid data, a person's correct name and social security number, and many of the claims were filed by criminal networks. The result was a flood of claims and a striking level of fraud never seen before that virtually paralyzed the Division.

The first task that Governor Sisolak and I undertook was to find a new Acting Director of the Department. With two previous experienced Directors having left within the first six months of the crisis, the latter one due to threats on her life, the Department desperately needed leadership to face its unprecedented challenges. As you might imagine, it takes a good deal of courage to accept a job where a Department is facing such extraordinary challenges. Fortunately, Elisa Cafferata agreed to accept the position as Acting Director.

The second task undertaken was to create the Strike Force. Fortunately, the membership of the Strike Force was quickly assembled. Anthony Pearl, General Counsel and Chief Compliance Officer, The Cosmopolitan of Las Vegas, agreed to join. Mike Schmitt, CEO and Owner of Clairvoyix, with his knowledge of technology and data systems, joined next. Steve Fisher, Administrator of the Division of Welfare and Supportive Services also joined the team. David Axtell, Chief Enterprise Architect, State of Nevada, and Alan Cunningham, the Chief Information Officer for the State of Nevada, also joined to assist with the evaluation of information technology issues. Chuck Short, former CEO of the Eighth Judicial District Court and owner of CTS Business Solutions, a company that helps courts and judicial systems find efficiencies and reduce backlog, joined next. Vanessa Alpers, Department of Health & Human Services, agreed to act as policy staff/lead to organize the volunteer effort. All members of the Strike Force volunteered to assist out of concern for out-of-work Nevadans, and none received compensation from the Strike Force for their service.

The Strike Force and Director Cafferata then went to work. Leadership changes were made at the Division, and two respected retired Division administrators agreed to return while permanent leaders were hired. Jenny Cassleman was hired as Deputy Director of DETR, and Lynda Parven, a long time experienced state deputy was hired as Administrator. In the Employment Security

Division, two new Deputy Administrators, Nancy St. Clair and Karlene Johnson, were hired as were two new Chiefs: Patricia Allander and Kris Boggs. Because of the time it would take to hire and train state workers, a staffing plan was created to not only hire DETR employees, but to bring on contract staff and recruit/train other state workers to work overtime to assist with processing claims and reducing the backlog. Strike Force member Steve Fisher suggested the idea of using eligibility workers within the Welfare Division to be cross-trained in unemployment benefit administration and offer this assistance. It's worth pointing out that the idea of Welfare staff working overtime for DETR is a new idea which had never been attempted by a state agency. Two hundred welfare eligibility workers agreed to assist, and this experiment bore immediate success. By January 25, 2021, these workers processed **88,064** claims.

The Strike Force focused their attention on fraud which was rampant in both unemployment programs:

- The "regular UI" program, the federally created program for payment of benefits for employees who are laid off due to no fault of their own;
- The "PUA" program, the newly created program to assist individuals who were not eligible for "regular UI" under federal law because they were independent contractors or did not have sufficient work history to qualify but were out of work for a COVID-related reason.

The Strike Force found ways to verify identity and recommended these measures be utilized by the Division. The Team communicated with law enforcement to ensure information was received on the extent of the fraud so that they could initiate prosecutions. Today, because of these anti-fraud measures, fraud has been reduced significantly, and the Division is trying even more tools to stay one step ahead of the criminal enterprises attacking the State's benefit system.

The Strike Force worked on backlog elimination plans and prioritized sets of claims weekly. Data was analyzed and metrics established. Slowly, the PUA backlog as of August 1, 2020, was reduced from 217,000 to 16,874 as of January 21, 2021. The UI backlog of monetarily eligible claims as of August 1, 2020, was reduced from 26,000 to 0 (as of January 11, 2021). Changes outlined in this report were recommended to increase processing speeds of incoming cases in order to keep the incoming claims from becoming backlogged.

Originally, the Strike Force planned to work for 60-90 days. However, as it continued its in-depth analysis of Nevada's unemployment system, it found that one of the biggest problems facing the Division was lack of time and resources. The Strike Force decided to extend its volunteer effort with a view towards providing more assistance to the DETR leadership team as it attempted to not only focus on efforts to eliminate the backlog, but to perform its other administrative functions such as:

- efforts to oversee the \$8 billion in benefits paid,
- management of the two computer programs needed for issuing payments, including one that is chronically slow and one that was still being built,
- borrow funding from the federal government,
- understand and implement new programs given to the Division from the federal government,

- interface with the U.S. Department of Labor and its complex guidance on how to operate almost every facet of the State's programs,
- prepare its budget for the next biennium,
- hire and train hundreds of staff,
- respond to a level of fraud never before seen in unemployment offices,
- deal with frequent COVID-related outbreaks, temporarily closing offices, and
- implement a new phone/claim system that would not only be more efficient but allow employees to work remotely.

The attached report outlines the findings of the Strike Force after analyzing the Division and the unemployment crisis. The report discusses some of the challenges the Strike Force discovered, describes steps taken to address these challenges and offers suggestions on how to improve the unemployment compensation program, both now and in the future.

I am grateful for the opportunity I was given by the Governor to lead this initiative. I want to thank the Governor and his staff for giving us the authority to undertake a very thorough review of the Department and to begin implementing reforms right away. I want to thank Richard Whitley for his early critical advice and for suggesting that the Welfare Division join this effort. I would like to thank Strike Force members Vanessa Alpers, David Axtell, Elisa Cafferata, Alan Cunningham, Steve Fisher, Anthony Pearl, Mike Schmitt, and Chuck Short, and volunteers Joe Garcia, Shannon Litz, Debbie Jacoby, and Tyler Winkler for volunteering their time over these last several months. I would also like to thank Amber Hansen of the Facebook group Nevada – Pandemic Unemployment Assistance - for volunteering her time to help me better understand the issues facing claimants in Nevada. I am particularly grateful for the experiences I had with claimants who reminded me every day why I volunteered. And while there is still much to be done, we feel significant progress has been made and a solid plan is in place to handle the work ahead.

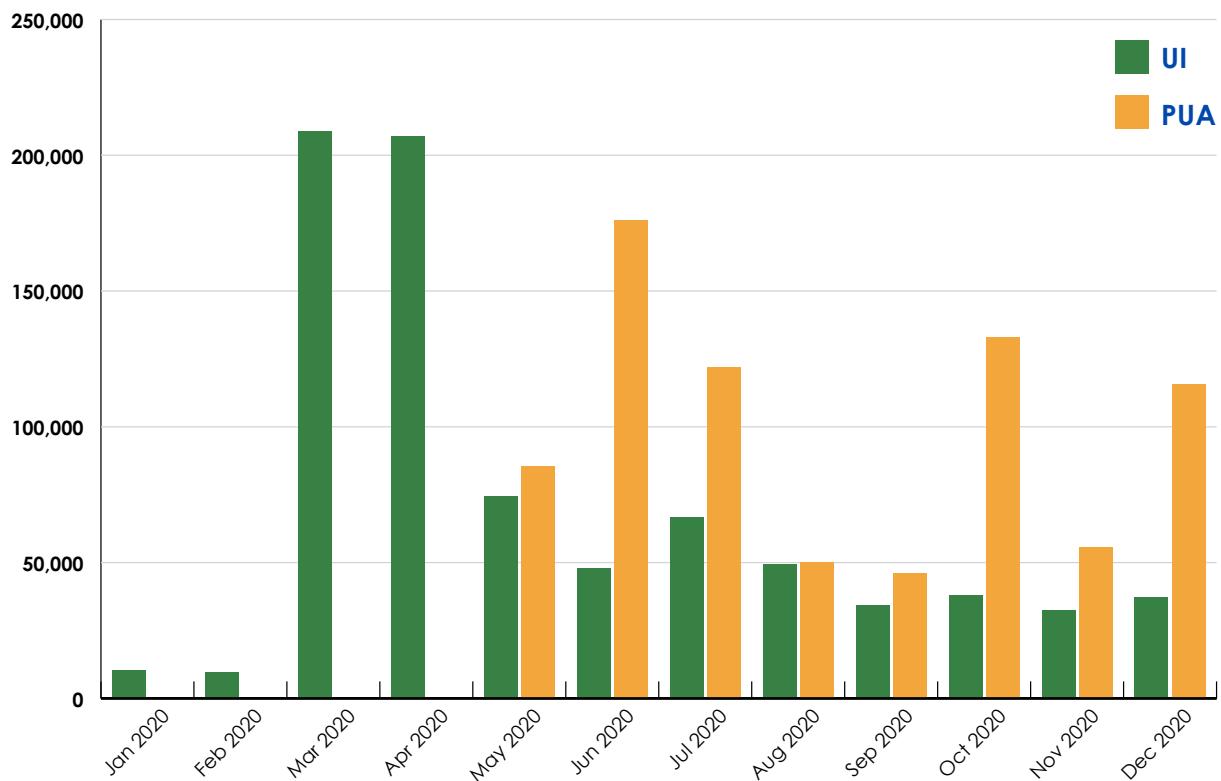
Barbara Buckley
Rapid Response Chair

Executive Summary

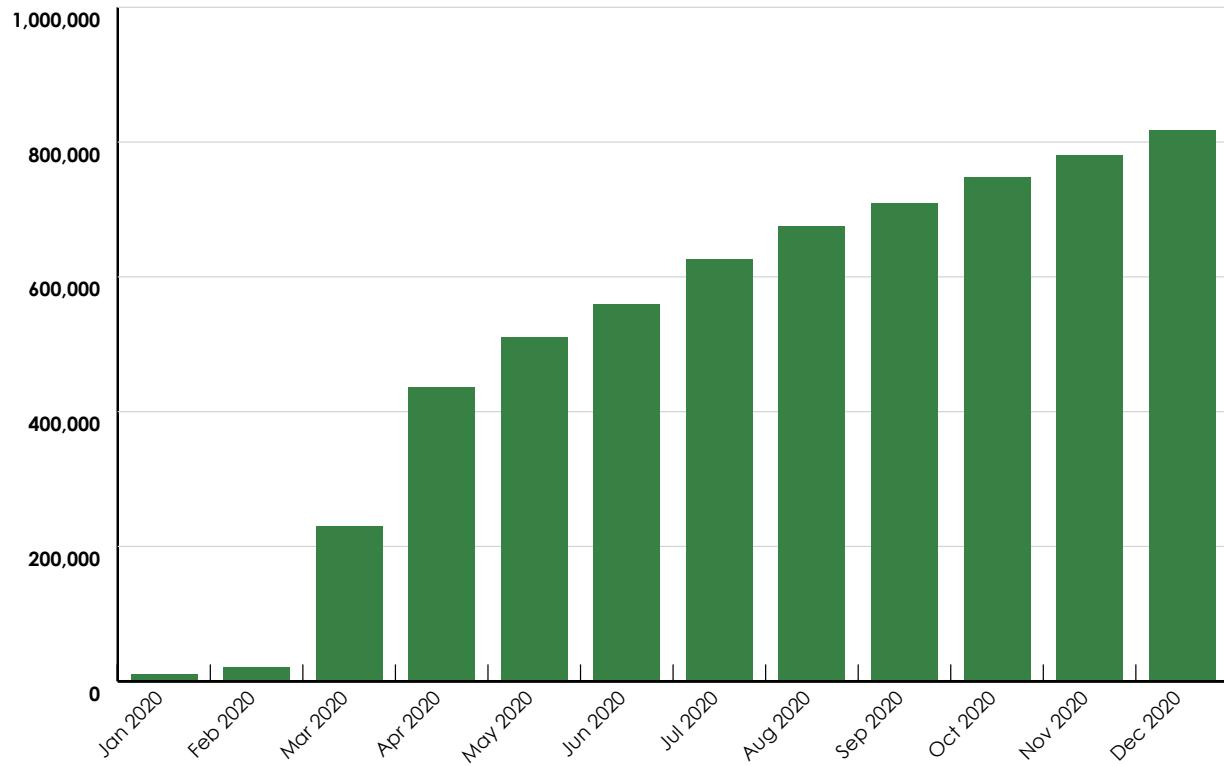
In 2020, Nevada, the nation, and the world faced a worldwide pandemic. When the pandemic arrived in Nevada in March 2020, Governor Sisolak was forced to take emergency measures to protect the health of the State. A temporary shutdown of businesses ensued to prevent the spread of the COVID-19 virus. Since that time, businesses were forced to close or reduce their capacity at various intervals to protect the health of the public with a resulting impact on the State's unemployment rate and unemployment compensation system.

Prior to the pandemic, Nevada's unemployment rate hovered at less than 4%. At the time of the shut-down, Nevada was managing **20,000 active weekly unemployment claims**. At the height of the pandemic crisis in April 2020, Nevada's unemployment rate spiked to 30.1%, the highest unemployment rate in state history and the fastest rate of increase ever recorded. Rates varied in subsequent months with changing circumstances, however, since Nevada's economy is so dependent on the travel and hospitality industry, it has consistently had the second highest unemployment rate in the nation behind Hawaii. By December 2020, Nevada had received over **1.5 million initial unemployment benefit claims**. The evolving volume of claims/month is profiled below.

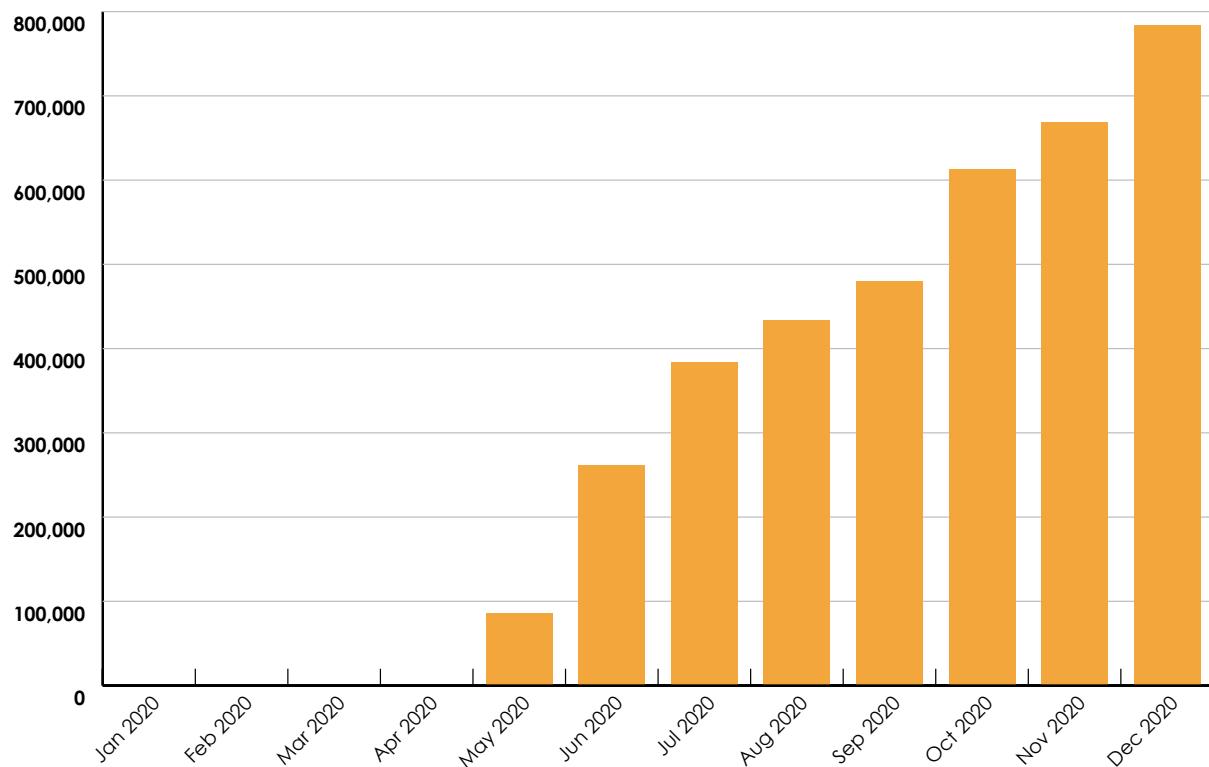
Initial Claims by Program



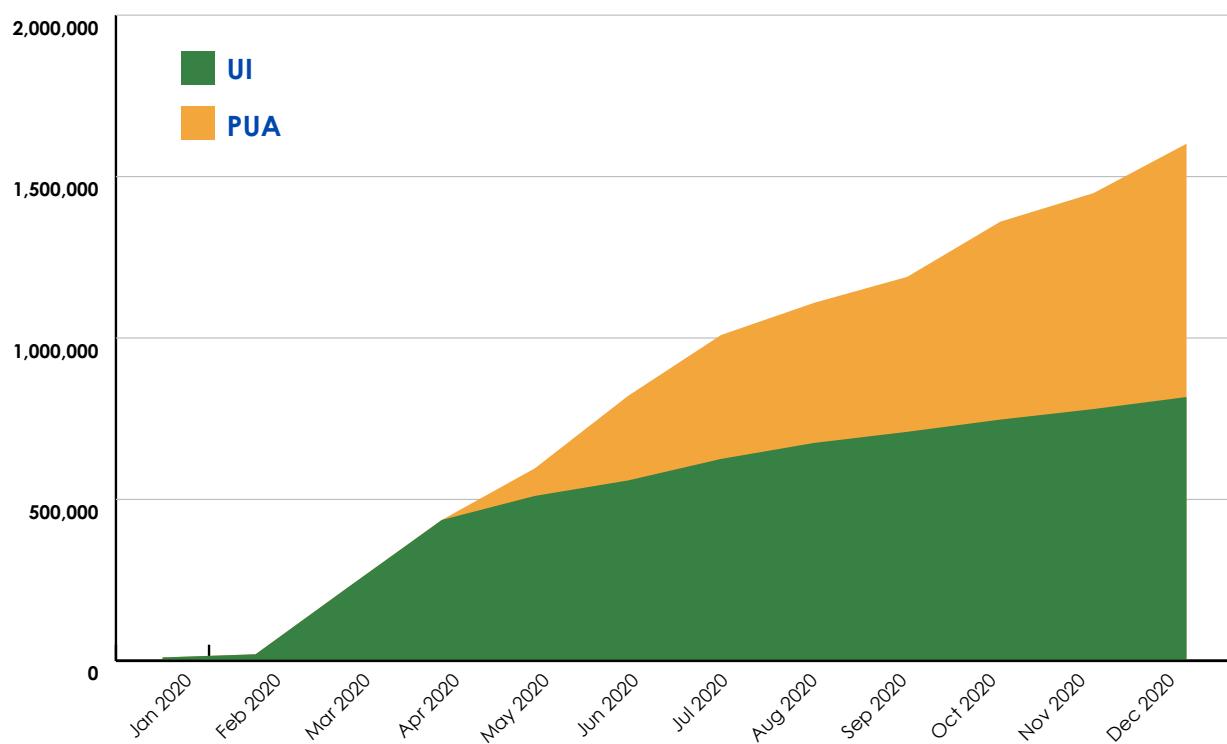
Cumulative Initial Claims, UI



Cumulative Initial Claims, PUA



Cumulative Initial Claims, Combined



The dramatic increase in the volume and rate of claims created an immediate backlog in the unemployment compensation system and delayed the timely payment of claims to eligible Nevadans.

This crisis was the reason for the creation of the Strike Force and this report details its process in addressing the crisis as well as its findings and recommendations with respect to DETR's unemployment program leadership, staffing, legal requirements complicating claimant's application process, the state of both UI and PUA claims and payment, efforts to discover and stop fraud, and the current status of the infrastructure used to support Nevada's unemployment benefits process.

In a collaborative effort with DETR leadership, the Strike Force's effort and analysis has resulted in recommendations that have expedited resolution of cases, reduced backlogs, reduced time to payment of valid claims, improved processes and put in place administrative structures that will improve service well beyond the current crisis. These recommendations address leadership requirements, staffing patterns and training (both in emergencies and long term), funding priorities, technology replacements and enhancements, revisions to data collection and utilization in management decisions, processing protocols, fraud identification and prosecution, and legislative action. Some recommendations require future action as well and are set forth below. Among the many detailed recommendations, several broad areas of recommendation should be noted:

- Need for better focus on customer experience – Throughout the project, the Strike Force has noted the difficulties and frustrations experienced by members of the public. Complex forms, confusing instructions, complicated processes, and conflicting information are only some of the complaints identified. Serious attention is needed to listen and respond to these public concerns.
- Need for better business practices and staff training – The Strike Force work uncovered many instances where business practices could be streamlined and made more efficient. Hand in hand with improvements in processes would be adequate and updated training across the staff groups responsible for public interaction and system operation.
- Technology updates – Many issues encountered related to outdated hardware and software supporting the unemployment insurance systems. In “normal” times these might have been adequate even though outdated, but in the crisis that emerged they were completely overwhelmed. Only timely and continuing updates and continuing update can ensure that these problems do not recur to the detriment of the citizens involved.
- Need for better crisis planning and plans – If this crisis produces nothing else, it should produce a commitment to and funding for a robust plan for future situations that might be encountered. A careful assessment of threats and a plan for emergency response are critical to future success and in prevention of the kinds of disruption to the system that were encountered in this most recent pandemic.

Securing unemployment benefits which claimants deserve and to which they are entitled in the current crisis (in a timely manner) has been an unimaginably frustrating road for Nevada's claimants; one that has caused significant hardship for the state's hardest hit families. Though not smooth or yet as timely as needed, significant progress has been made in reducing the backlog. With the new department leadership in place, additional trained state and contract claims examiners, adjudicators and fraud prevention staff, and a state managed call center, the Strike Force feels confident that the Department has the ability to better manage its significant workload and responsibilities. The Governor, in his State of the State address, has committed support for a new IT infrastructure to better serve our State, and the Division can request additional necessary positions at the upcoming Legislative session. The Department has the necessary stability to move forward to serve the State's citizens.

Issues Analysis & Recommendations

Overview

The Governor directed the Strike Force to assist the Department of Employment, Training and Rehabilitation (DETR) and focus on efficiently and effectively resolving the processing of Unemployment Insurance (UI) Claims as well as the backlog of Pandemic Unemployment Assistance (PUA) claims. Recognizing the urgency of the situation, the Strike Force was convened and immediately began working with DETR leadership to gather and analyze the various elements that had collectively contributed to the creation of the backlog.

A first look showed that while the regular UI program was overwhelmed by the sheer volume of claims, the regular staff and processes were still moving forward, just at a very slow pace. Given the explosive growth of the program, it is noteworthy that the state's UI program did not crash or experience day/week long outages.

On the other hand, PUA was a brand new program that had been created by Congress in a short period of time. Early on in the pandemic, DETR staff made the decision that its internal IT department could not both add new programs to the regular UI system AND build the new PUA program at the same time. A decision was made to bring in a vendor to build the PUA system. The process of building the PUA system one module at a time meant that PUA claims could only be processed in batches to a certain point, and then they might be delayed waiting for the next module to be completed.

Some of the challenges DETR encountered in the timely distribution of benefits were issues that states were experiencing nationwide, whereas some were unique to Nevada. The issues that emerged during August, the first month of the Strike Force's efforts, are characterized as issues that apply to all claims or issues that are unique to the form of unemployment benefits requested. Issues in each category are noted herein.

General System-Wide Issues:

- ❑ Save for one contract employee, key leadership positions in the Department were either filled with inexperienced leaders or were vacant.
- ❑ The staff at DETR was overwhelmed with the amount of work, but did their best to manage the 1400% increase in work. Some staff dedicated themselves to resolving case after case, working overtime weekend after weekend to try to make a dent in the backlog. Others worked while hospitalized with COVID-19. These staff deserve a great deal of gratitude for their commitment to the State.
- ❑ The number of vacant positions, the lack of immediately productive staff available for assignment, and the sudden influx of claims all contributed to the creation of significant backlogs for both UI and PUA claims. Essentially the volume of unemployment claims exceeded the throughput capacities of both the UI and PUA claims processes. In March, 2020, ESD had only 181 employees, enough to manage 20,000 cases. By August, the Division received over 800,000 applications, and there were not enough staff to keep up. By August 6, 2020, staff had grown to 482 claims examiners and adjudicators, (120 of these were Alorica contract positions). Lack of

staff caused serious delays in claims processing. Furthermore, hiring of new staff and contract staff was constrained by the need to assign the limited number of seasoned ESD adjudication staff to train and serve as mentors to new hires.

- ❑ Employment Security Division staff quickly advised the Strike Force that fraud existed in both systems with the PUA system attracting epidemic levels of fraud. However, data was not available to determine the volume of fraud. Defining the level of fraud by claims type and implementing enhanced detection methods quickly became a priority for both the Strike Force and DETR Leadership.
- ❑ The Strike Force recognized that the decision to set up separate unemployment programs created many challenges including duplication of effort and a potential for claimants to be shuttled back and forth between the systems. Unemployment Insurance (UI) Claims were processed by a state-employee-staffed call center, distinct claims case management software, and an assigned team of claims representatives and adjudicators. In contrast, the PUA claims process was handled by a new contract-staffed call center, new partially-operational claims case management software, and a handful of state employee claims representatives/adjudicators to process tens of thousands of PUA claims.
- ❑ The CARES Act contains a provision that PUA is the benefit of last resort. If a Claimant had prior employment as an employee in one of the previous 5 quarters, they are required by federal law to file and exhaust or be denied regular UI benefits before filing for PUA. Thousands of PUA claimants whose incomes were primarily earned in the “gig” economy waited to file in the PUA system only to be told they needed to file in the UI system. Many of the applicants in the PUA system did not want to apply for UI because UI was not their primary income source, and the benefit amounts were lower in the UI system. This confusing federal mandate caused much frustration and backlog.
- ❑ It was extremely difficult to get clear-cut data on the size of the backlog. For the entire first month of the Strike Force’s existence, data identifying what claims were in what status of review was inconsistent and not reliable. Even today, the case management tools available to DETR are inadequate.
- ❑ The Strike Force worked with staff to develop a Backlog Elimination Plan to organize team efforts, develop a strategy to address the mounting inventory of unemployment assistance claims, prioritize limited resources, identify additional staff and set out plans to train them. Beginning in September, this plan was updated weekly allowing the team to 1) prioritize resources and 2) create a sequence of activities to support the expedited review, payment or denial of outstanding PUA and UI claims.
- ❑ In some cases, the Strike Force identified business processes or policy guidance that appeared to be inconsistent with DOL guidance or state statutes. The Strike Force worked with DETR staff to be sure the agency was in compliance. In some cases, additional guidance or training was put in place.
- ❑ Working together to figure out how to report issues for the backlog report, the Strike Force and DETR identified and resolved several issues that hindered the resolution of cases. This in-depth review allowed the Backlog Elimination Plan to be more targeted and precise. Some of these concerns had been brought to the attention of the previous DETR leadership team and at times institution inertia delayed acceptance and resolution of an issue.

- ❑ Direct customer contact/assistance for unemployment claim applications and status was limited or non-existent, in part due to past practice and in part due to the pandemic.
- ❑ Before the pandemic, there were essentially two programs DETR administered: regular UI and State Extended Benefits (SEB). The CARES Act created several additional programs: Pandemic Extended Unemployment Compensation (PEUC) – an additional 13 weeks of benefits; Pandemic Unemployment Assistance (PUA) – unemployment benefits for formerly self-employed and gig workers; and Federal Pandemic Unemployment Compensation – an additional \$600 per week benefit for certain weeks. Later, the President created the Lost Wages Assistance (LWA) program by executive order – an additional \$300 per week for certain weeks. And at the end of the year, Congress passed and ultimately the President signed the Continued Assistance Act which extended many of these programs for up to 11 weeks while adding many new requirements. Each change required new computer programming as well as new guidance and training for staff.

Issues Unique to UI Claims:

- ❑ Typically, in unemployment insurance, claims are processed and resolved, but they are not “closed.” These claims, once established, can exist in the Nevada UI system for years as a person moves from employed to unemployed to re-employed. During the pandemic, this meant that some claimants had issues from previous years that stopped payment on their current claim.
- ❑ A UI claim can have more than one issue that would stop payment; some claims have as many as six issues – not all of which hold up payment.
- ❑ As noted, the UI system tracks issues and not individuals. These characteristics made it difficult to report on the outstanding workload in a way that was understandable to the general public. Until recently DETR leadership has questioned the usefulness of a 38- page UI claims status report titled “State of Nevada Unemployment Insurance Claims – Adjudications Pending”. Distilling the total number of UI claims and issues to a one or two page management summary was a priority. Beginning in November, an ad hoc UI statistical report provided DETR and the Strike Force the ability to timely represent claims facts and trends which became critical for leadership to target staff claim resolution efforts.
- ❑ A new phenomenon created more confusion. Before the pandemic, most cases of fraud in the UI system consisted of claimants misrepresenting the facts in order to get a larger benefit amount. During the pandemic, the predominant type of fraud has been false identification: as of this report, there are approximately 50,000 UI claims with questionable identity characteristics. The federal rules require that notice be given to these individuals, but it is not possible to contact a claimant who is fraudulent or is a bot. This is just one example where state and federal laws were not up to the unprecedented challenges of the pandemic.
- ❑ The UI claims management software consists of core applications and third party applications (Oracle database, for example). The system's hardware architecture operates on a large computer server farm. The system is a “single environment,” so any programming to change or update the system that runs while claimants are using the system slows the entire process down. Heavy duty processes, for example

running the calculations on each claim to generate the payments for the week, are done using batch processing. Because it is a “single environment,” the system can only process one mass production task at a time.

Issues Unique to PUA Claims:

- ❑ The new PUA claims management software was partially complete in August but had no overpayment or claims appeal hearing capability at that time. While this functionality now exists and the system is working hard to schedule and reconcile appeals, the delayed rollout by the vendor hindered DETR’s efforts. Even now, the system still has cross reference interfaces which are not yet 100% installed.
- ❑ PUA claims have no employer to dispute whether the loss of a job was a result of a layoff or the result of the employee quitting. This distinction and the reasons to deny a PUA claim are different than those for a UI claim. Even experienced state UI employees needed additional training in the new PUA program in order to effectively process and adjudicate PUA claims.
- ❑ At the beginning of the pandemic, the PUA Call Center was outsourced. Originally, DETR contracted with Alorica to run an informational call center with 100% contract staff. Many claimants complained that the call centers could only pick up a call and say “Yes, I see your claim in the system and there appear to be no issues; I will elevate your claim to an adjudicator.”
- ❑ By September, DETR leadership brought the PUA call center back under DETR management. This gave DETR the flexibility to add staff as needed with a combination of Maximus contract staff, redeployed Job Connect staff, and DETR employees. This effort was a huge undertaking. During its earliest days, the call volume resulted in too many callers not being able to get through. More staff were added, and the Call Center is now handling more callers. It is recommended, however, that call center staff be given more authority to resolve simple issues arising in cases such as clearing up claimant identity issues.

General Organization-Wide Issues and Recommendations

Leadership Team of DETR & ESD

Prior to the COVID-19 pandemic, Nevada had experienced relatively low unemployment. DETR's UI program staff had been getting smaller for years due to the decreased workload. As with many state agencies, retirements, turnovers, and vacancies further impacted the staff.

The unprecedented spike in unemployment created immediate challenges for the program in both volume and capacity to handle the influx of UI claims. Additionally, the implementation of a new and separate PUA program further exacerbated the challenges. Because it is a global pandemic, all of the states were competing for technology solutions and staffing resources.

There is no more important key to handling a crisis than ensuring the best leadership at the very top. To be an effective leader, one must not only know the substantive parts of the organization but must recognize there is a crisis and oversee ways to solve the crisis. After the departure of the ESD Administrator in September 2020, DETR brought back the former Deputy Administrator of the Division, Jeff Frischmann, and the Chief of Benefits for the Division, Scott Kennedy. Both agreed to come back to review operations and right the ship. Notably, during the recession of 2009, both men were lauded for their handling of operations. Indeed, they hit the ground running in September, working with the Strike Force to prioritize critical tasks, train new staff, fine-tune business processes, and identify emerging issues for resolution.

Acting Director, Elisa Cafferata, at the urging of the Strike Force, prioritized the hiring of a new leadership team for the Department and the Employment Security Division. On October 12, 2020, Jenny Casselman was hired as the new Deputy Director for DETR and given the responsibility for ensuring quality delivery of the state's employment and training programs and executive oversight of the Nevada Equal Rights Commission, Employment Security and Vocational Rehabilitation Divisions, and the state's Research and Analysis Bureau. Ms. Casselman brings more than 15 years of experience in management, finance, and strategic planning to increase efficiencies and strengthen service levels to the team.

On November 5, 2020, Lynda Parven was named Administrator of ESD and Chris Sewell was named COO of DETR. Lynda Parven is a graduate of University of Nevada, Las Vegas with a Bachelor of Science and a Master of Business Administration degree. She has been with the State of Nevada for 29 years and began her career in public service with the Welfare Division in 1991. She is an experienced manager, having formerly held the position of Administrator of the Nevada Equal Rights Commission. Chris Sewell started his state experience with the Nevada Transportation Authority and with the Public Utilities Commission as a financial analyst, senior compliance investigator and manager. He then moved to Las Vegas and worked for the Division of Insurance and Real Estate Division.

DETR named Kristine Boggs as Chief of Benefits, a position she started on November 16, 2020. Ms. Boggs has been employed by DETR since 2006. She has a broad base of unemployment assistance experience having worked as a claim examiner, adjudicator, supervisor, business

process analyst, and manager. Prior to DETR, she was as an engineer in the medical device and aerospace industries for almost 30 years. Ms. Boggs earned a BS degree in Engineering and Computer Science from Cal State University Northridge.

Nancy St. Clair was hired as Deputy Administrator in UI on January 11, 2021. Ms. St. Clair has a 25-year history with the State of Nevada and was originally hired in 1996 as an unemployment representative. Rising through the ranks, Ms. St. Clair spearheaded many workforce and employment initiatives, including those that focused on training, implementation, and technology. Karlene Johnson was hired as Deputy Administrator of Workforce and Appeals on January 11, 2021. Ms. Johnson began her career with the State in 1987 and brings 19 years of experience in grant management, monitoring, and coordination of programs. Ms. Johnson moves from JobConnect where she worked with state employment programs and programs under the Workforce Innovation and Opportunity Act to Workforce Investment Support Services.

In November, Patricia Allander was named the Unemployment Insurance Services (UISS) Chief. As UISS Chief, Ms. Allander is responsible for unemployment insurance program development and brings over 11 years of experience within unemployment including UI claims, Adjudication, Fraud Investigation and Business Processes. Prior to her promotion, Ms. Allander was the Lead Program and Support Analyst and coordinator for the federal PUA program where she interpreted and managed policies and procedures, programming requirements and processes with the vendor, and maintained operational efforts during high volume and heavy workloads.

No organization can be run effectively without quality leadership. Since the Strike Force began, the entire leadership team of DETR and ESD have been replaced with experienced proven administrators: the Director and Deputy Directors of the agency as well as the Administrator, Deputy Administrators and Chiefs of the ESD. The credentials of this team are impressive, and the Strike Force believes they can effectuate the remaining changes needed to ensure that Nevadans are connected with the benefits and resources they are eligible for, both now and in the future.

Recommendations

DETR has been through incredible changes, and the staff needs stability. The new ESD leadership team needs time to come together and bring their plans to fruition. The Strike Force recommends:

- That DETR continue to seek a balance of experienced hands and people with outside experiences and perspectives when hiring. The promotions in the ESD leadership team have created additional vacancies in the team. A high priority must be to recruit/retain diverse new leaders to fill out the ESD team to continue to address the backlog and incoming claims.

Unemployment Claims Workload & Staffing

It cannot be overstated that the biggest cause of the backlog was volume. From March 15, 2020 to July 31, 2020, **469,191** “regular” unemployment claims were filed along with another **344,681** PUA claims for a total of **813,872** claims. Remarkably, by August 1, 2020, ESD had paid at least one week of earned benefits to **510,244** claimants. The system went from managing **20,000** claims a week to over **300,000** claims a week. By the end of 2020, over **1.5 million** initial claims were filed and received.

Unemployment staffing is counter-cyclical. When the economy is good, the need for staff to process claims goes down. At the beginning of the pandemic, the ESD staffing level was extremely low. At the same time, the unemployment insurance program has always been complex and the knowledge required to handle claims as prescribed by federal law is high. It typically takes a new claims examiner up to two years to be proficient in interpreting and applying the federal and state unemployment compensation laws and regulations. There were a limited number of qualified staff to handle the sudden and dramatic influx of cases.

At the beginning of the pandemic, DETR retrained and redeployed staff in other units outside of unemployment to take and process new claims. Staff from the Job Connect offices, as well as the Nevada Equal Rights Commission and Vocational Rehabilitation all began assisting with the backlog in April 2020.

One of the greatest challenges with reducing the backlog was still the immediate need for hundreds more trained staff. The typical process to recruit, select, train and mentor UI staff to get them up to speed could not begin to address the short-term need. ESD had to move the most productive UI Adjudicators off of claims processing to serve as trainers and mentors to the new hires. The Division of Welfare and Supportive Services (DWSS) Administrator and Strike Force member Steve Fisher recommended tapping into the DWSS eligibility staff who have a similar background in eligibility determinations. Subsequently, DWSS eligibility staff were surveyed to determine their interest to help their sister agency during the crisis and hundreds committed to work evenings and weekends on top of their regular DWSS shifts. Due to DWSS eligibility staffs' general experience in reviewing welfare claims, this dramatically reduced the need for extensive training prior to these employees becoming productive unemployment claims examiners. This unprecedented recommendation ended up being one of the key solutions in helping eliminate the PUA backlog. DWSS Programs Operations Support & Training staff led the effort to bring DWSS staff up to speed. DWSS employees went through a three-week training program, presented by DETR's trainer, that covered UI, PUA and adjudication rules. While they were in training, DETR's IT department set up permissions that would allow them to access DETR's unemployment systems. Once they had completed their training, DWSS employees spent a week reviewing cases under the supervision of DETR mentors. Within a few weeks, they had enough experience to begin reviewing, resolving, and adjudicating cases on their own. From October through today, each DWSS staff member worked about 20 hours a week on PUA claims. The DWSS team reviewed and resolved **88,064** PUA claims, resulting in thousands of eligible gig workers receiving benefits and thousands more fraudulent claims stopped. The 200+ staff will soon transition to assisting ESD with processing any remaining UI claims.

DWSS also volunteered to contact recently retired DWSS staff to see if they might be willing to return to state service for a short period of time to help with the backlog. As a result, 20 retirees were brought back to assist with the backlog. Training of the 200 DWSS workers and retirees was conducted by DETR staff.

In addition to state workers, contract workers were also enlisted to work on the backlog. In May, DETR entered into a contract with Alorica, authorizing them to employ as many as 100 workers to staff the PUA Call Center. As noted in more detail later in this report, one of the dilemmas with contracting for this service is that it required experienced PUA adjudicators to take time off from adjudicating cases to train and mentor these contract employees. Training typically required about 40 hours per group of 20 contract employees.

In September, the DETR leadership determined that a change in Call Center support was needed and Alorica's contract ended. In early October, DETR brought the Call Center back into the state system to manage, utilizing both Maximus (contract) employees and state staff. Maximus contract employees were eventually placed in both UI and PUA adjudication, with 62 adjudicators assigned to review cases and contract staff assigned to support the call centers.

While contract staff served part of the immediate need, permanent employees were also recruited, trained, and hired. Prior to the pandemic, 181 positions were filled in ESD. Today, 766 positions support the operation. It is important to note that after March 31, 2021, non-state staff may not be used to process unemployment claims after the expiration of the CARES Act (although this may be extended). In the next biennium, it is clear to the Strike Force that staffing is still insufficient, and that DETR should request additional positions to sustain its operations through 2021.

Recommendations

The Strike Force has several recommendations related to staffing:

- ❑ DETR should continue to use temporary staff and contract staff to temporarily handle this unprecedented volume of applications. DETR should work with the Governor's Finance Office to project the appropriate number of permanent staff to be hired to address ongoing claims as the economy recovers.
- ❑ DETR should continue to cross-train all claims examiners, adjudicators and fraud staff to be knowledgeable on all programs and benefits, including UI and PUA, PEUC, FPUC, SEB, LWA, etc. The training should include training in both policy and computer systems.
- ❑ DETR should proceed with hiring full-time state employees as soon as possible since the flexibility to use contract staff and welfare staffing may end as soon as March 2021 unless Congress passes new legislation.
- ❑ Continue as a matter of long-term state policy the cross training of some DWSS eligibility employees in unemployment assistance. When the unemployment assistance workload subsides, cross-train some ESD claims examiners and adjudicators in the welfare eligibility processes. Such an approach may be unorthodox, but it will provide the state's executive branch the ability to quickly surge this cross-trained staff to those claims where a backlog is emerging.

- When DETR's staff was reduced to its lowest levels, there was no need for a robust training program. The ESD program will need a larger and more formal training program for the foreseeable future. DETR should hire or designate a training manager and staff to ensure consistency and quality control for new hires. It is essential that manuals be provided and updated regularly for each program. Training should be recorded and innovative updates provided to ensure further consistency. (See the Employment Security Division Quality Assurance & Business Process Review Section for more information)
- DETR should request funding to hire a Claimant Liaison to lead efforts (see the following recommendation) to improve communications with applicants for UA benefits, ensuring DETR is addressing issues most important to claimants.
- DETR should evaluate and implement technology and programming changes to improve communications with claimants. Currently, there is limited ability to communicate informally with UI claimants; some states have the ability to email or text claimants as an example. DETR is dependent on the vendor to implement mass notifications in the PUA system. (See the Claimant Access & Communication Section)
- The Strike Force recommends that Congress and the Department of Labor continue offering staffing flexibility to states until the claims generated by the pandemic are resolved.

Backlog Elimination Plans

No task was deemed more critical to the Strike Force than doing all it could to make recommendations on resolving the claims backlog as soon as possible. There are three ways to resolve cases faster: streamline business processes, add more staff, or use a combination of both approaches. When the Strike Force began, DETR had 362 employees (not counting the 120 Alorica contractors) to process claims. As stated above, Strike Force member Steve Fisher, an experienced state Administrator, cognizant of the amount of time that it takes to onboard new state staff, suggested the training of welfare eligibility workers to work overtime on unemployment claims to augment staff quickly.

The Strike Force and DETR leadership decided to identify all potentially eligible cases from the beginning of the pandemic to the time the Strike Force was created and prioritize them for resolution. Because the processing of PUA cases slowed due to the incredible amount of fraud encountered and the need to scrutinize so many applications, the decision was made to have the DWSS workers address PUA claims first, and then, if deemed prudent, assigned to regular UI claims. Additionally, it was noted that most UI adjudication requires speaking to both an employer and a claimant, and this was difficult to do for employers after business hours, the time when DWSS staff were working.

In approaching the backlog of PUA claims, the level of fraud was breathtaking. When PUA was created, DETR estimated that Nevada might have between 85,000 and 150,000 "gig" workers based on Census estimates and Secretary of State business records. Even doubling that number to allow for people who had both regular and gig jobs, Nevada could have reasonably expected up to 300,000 PUA claims. From March 15, 2020 to December 31, 2020, there were 785,000 initial claims filed in PUA. Without any additional analysis, the Strike Force could see that DETR had to review and process as many as 485,000 possibly fraudulent

applications. DETR had to create a series of queries and reviews to attempt to cut through the massive volume. And the PUA system was still being built, including some modules that were needed to resolve cases (specifically appeals and overpayments), a process akin to performing heart surgery while the patient is simultaneously running a marathon.

Below is a description of all claims filed, those resolved timely, those in the backlog and resolution of same.

UI OR “REGULAR UNEMPLOYMENT COMPENSATION CLAIMS” FILED BEFORE AUGUST 1, 2020:

Total UI applicants 3/1-8/1 with 1 week claimed	469,191
Total claims paid 3/1-8/1	387,499
Total claims denied	22,687
Number of claims with monetary eligibility and in backlog as of 8/1/20	26,470
Number of claims with monetary eligibility filed before 8/1/20 and still pending as of 1/25/21	0

PUA CLAIMS FILED BEFORE AUGUST 1, 2020:

Total PUA applicants filed 5/16-8/1 with at least 1 claimed week	344,681
Total applicants paid 5/16-8/1	122,745
Total applicants denied 5/16-8/1	4,739
Number of potentially eligible claims pending as of 8/1	217,197
Number of claims pending on 1/25/21	16,874*

*None of these claims have documents uploaded and are potentially fraudulent.

The above reductions were for the pre-August 1, 2020 applications. From August 1, 2020 through December 31, 2020, 114,121 additional UI applications and 300,000 additional PUA applications were received. It is estimated that the overwhelming majority of these PUA applications are fraudulent.

Recommendations

- Continue backlog elimination efforts. For PUA, there are 183,199 PUA applications pending more than 8 weeks. Only 7,709 have uploaded identity documents and are estimated to potentially be eligible claims. The Strike Force recommends that ESD do the following to completely eliminate this backlog:
 - Process the 7,709 cases where the claimant uploaded proof of identity and other required documents. At the current resolution rate of claims, we estimate 3,083 of claims or 40% are likely eligible. At the current rate of processing, these cases will be resolved in 1 ½ weeks.
 - Mass resolve the cases where no documentation has been uploaded by February 7, 2021.
 - The entire PUA inventory not yet processed by 12/31/20 can be processed by February 7, 2021.
- For UI, there are 26,353 cases pending more than 8 weeks. With resources existing at this time in the UI system, approximately 8,000 cases are being processed a week. The Strike Force recommends that ESD do the following to completely eliminate this backlog:
 - Reassign a portion of the 200 DWSS workers to the UI backlog. DWSS workers have been adjudicating approximately 5,000 PUA cases per week. While they must be trained in UI adjudication, they have already been trained in UI, and if their rate of speed once trained is similar to their PUA backlog clearance rate of 5,000 a month, in addition to the UI staff's clearance of 8,000 a month, the entire UI backlog could be eliminated in two months.
- Continue the new weekend project to review cases being held for adjudication to see which issues can be cleared prior to adjudication. For example during the weekend of January 6, 2021, the team cleared 1,071 issues.
- Once inventory backlog is resolved, keep it current for all new applications. Continue weekly meetings to quantify the backlog and shift resources to resolve the maximum number of claims. Chart progress weekly.
- Periodically focus on cases with issues that are less complex to resolve in order to more quickly process cases.
- Consider options for streamlining the UI adjudication process by shortening interviews or decision-writing process.
- To the extent possible, the UI team should continue to work claims, not issues. It wastes time to have multiple workers working the same case for different issues.
- For cases remaining in the UI backlog, continue the use of "strike teams" to resolve those cases that may be quickly adjudicated, thereby maximizing the amount of benefits reaching eligible Nevadans
- The Continued Assistance Act requires identity verification for new applications be implemented by January 26, 2021. Monitor the success of the tools used to identify verification to be sure cases do not accumulate.
- Continue training PUA call center staff to resolve additional issues, so more claims can be resolved without requiring escalation or call backs.

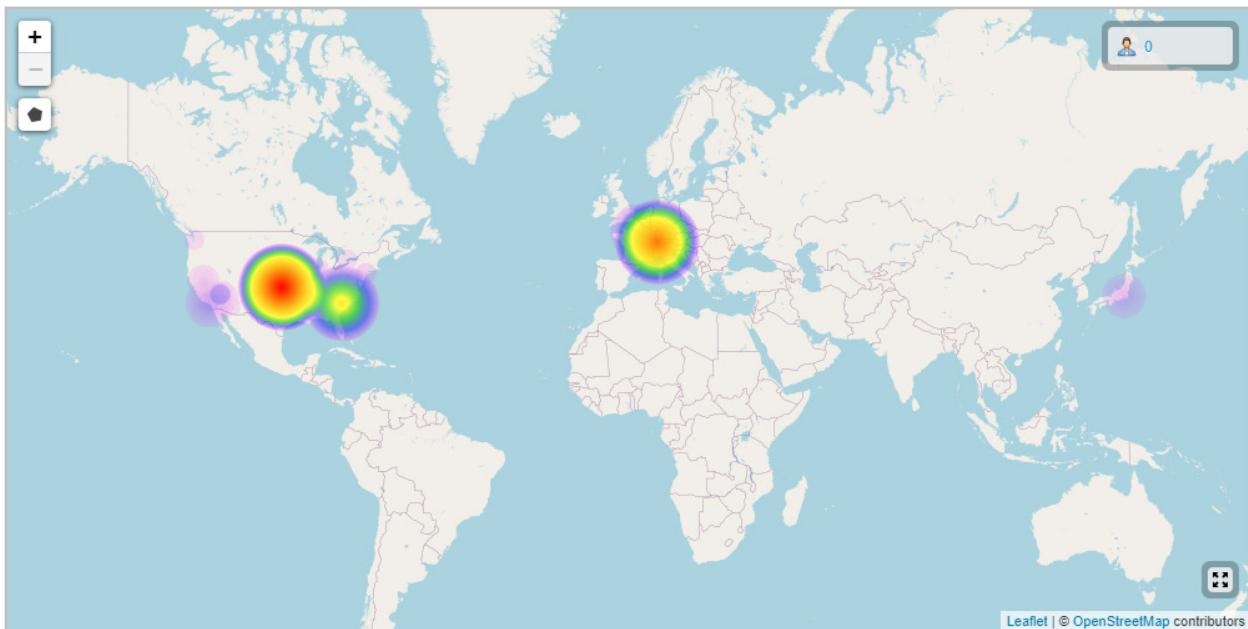
Fraud

As with virtually every other state in the nation, fraudsters quickly assessed the state's vulnerabilities and inundated the system with false claims. While states acted quickly to get benefits to claimants in need, a tidal wave of fraudulent claims were filed around the country to illegally receive benefits. As DETR grappled to sift through the volume, identify legitimate claims, and pay eligible Nevadans, in late June, the State temporarily stopped processing new PUA claims to minimize the impact of the fraudulent claims.

As context, in the regular UI system, the employer serves as a deterrent to fraudulent benefit claims. If an employer disagrees with a claimant's eligibility for the program or a false claim is filed, they can file an appeal. In the PUA system, there is no employer or an independent contractor to review the claim and disagree with the application for benefits. Also, Nevada has no state income tax, and so the state had no way to validate to see whether an individual had self-employment income or not. Fraudulent actors quickly realized this inability to cross-check against state income tax records and began to file claims. This level of fraud was not unique to Nevada. See <https://www.wsj.com/articles/wave-of-attempted-fraud-hits-state-unemployment-claims-programs-11608633000>, <https://www.cnbc.com/2020/06/16/states-hit-hardest-by-coronavirus-scams.html>, and <https://www.govtech.com/blogs/lohrmann-on-cybersecurity/widespread-unemployment-fraud-is-overwhelming-state-systems.html>.

In August, Mike Schmitt, CEO, Clairvoyix and Strike Force member offered fraud detection technology solutions designed to sort through volumes of data to separate high probability legitimate claims from those which possess one or more characteristics strongly suggestive of fraud. DETR leadership embraced this offer of voluntary assistance, recognizing that DETR did not have the in-house software tools nor the staff or time to perform technical data matching and validation. The partnership with Clairvoyix enabled the ESD to streamline and expedite the questionable identity work that had to be done in order to release valid claims for review and issue payments. Clairvoyix's work also identified claims to receive ineligibility notices requiring the likely fraudster to appeal. In keeping with the agency's expectations, a test run of 9,000 claims showed that less than 10% of claimants with some indications of fraud responded to a request for validation. Ultimately, less than 1% of questionable applications in this time period represented a valid PUA claim. Following this success, DETR contracted with "ID.me" to validate claimant identities. Overall, 109,814 identity verification emails were sent in both the UI and PUA programs. Out of those 109,814 requests, 7,526 identities were verified as actual claimants, a 7% validity rate. Based on this screening, ESD prevented 102,288 fraudulent applications from receiving benefits.

For some context of the extent of the fraud which was perpetrated on the system, the chart below shows the IP addresses for PUA claims. Recognizing this level of fraud existed for the PUA claims, in late summer DETR contacted the State Attorney General's Office. Subsequently, the national and international scope of the issue became starkly real and the United States Department of Justice was engaged along with appropriate law enforcement to investigate, arrest and charge those who committed fraud via Nevada's unemployment assistance processes.



Subsequently, the DETR Director convened a round table to focus on fraud prevention strategies/technologies. This effort included all senior management as well as representatives from GeoSol, the software firm that supports the PUA software claims management system. With several states as clients, Geosol has developed a broad array of fraud detection software tools ranging from relatively simple physical address confirmation to more sophisticated cross referenced data driven checks to confirm authenticity of certain information required in an unemployment assistance claim for benefits.

With the Strike Force's encouragement and support, in the last few months DETR has enhanced its internal fraud prevention review processes and integrated more sophisticated fraud prevention tools designed to verify the identity of all claimants to ensure that fraudulent applications are not being funded. Additionally, DETR ended the practice of sending debit cards out to claimants before their identities were verified.

Recommendations

DETR should continue to explore more sophisticated fraud detection methods to prevent improper payments to non-eligible claimants. In this regard the following is recommended:

- Continue to prioritize efforts to identify fraud that occurred with the payment of CARES Act claims and share all appropriate data with appropriate legal authorities in support of their effort to hold those who perpetrated these crimes **accountable**.
- Organize biannual workshops involving all DETR senior leadership, their claims management software vendor(s), fraud prevention vendor(s) and a nationally recognized expert in claims benefit fraud prevention to review opportunities for enhanced fraud prevention practices/software tools.
- Complete implementation of the PUA Claims Management Software interfaces which include by example, the Department of Corrections, Child Support payment and Bureau of Statistics (Death Certificate Registry).

- ❑ Perhaps the most critical of these recommendations would be the continued implementation of fraud detection tools upon receipt of a complete application of UI/PUA Benefits. The quicker potentially valid unemployment assistance claims can be separated from fraudulent claims, the less staff time expended on those trying to effectively steal taxpayer dollars and the more time spent reviewing and processing valid claims for benefits on those claimants who are eligible.

Status: At the time of this report, DETR is finalizing a long-term contract with a vendor that can verify identity on the front-end of the claim as well as analyze the probability a claim is fraudulent on the back end.

Two Distinct Unemployment Assistance Claim Processes and Duplication of Resources

The unemployment assistance processes were (and continue to be) bifurcated with Unemployment Insurance (UI) Claims processed through a separate call center staffed by state employees, distinct claims case management software, and an assigned group of claims representatives and adjudicators. In contrast, the CARES Act created a new gig worker unemployment assistance process termed “Pandemic Unemployment Assistance” (PUA) and unemployment for those whose employment was affected by COVID but do not qualify or who exhausted their UI benefits. As stated earlier, DETR decided in March/April that the existing UI claims management software was not capable of being modified without risking catastrophic failure for all Unemployment Insurance claims processing. The PUA system, created virtually from scratch in the late spring, was partially functional in May. Today, a combination of Maximus contract staff and reassigned Job Connect program state employees operate the PUA call center. The GeoSol claims case management software is fully operational, and a total of 16 state employees, 62 Maximus adjudicators, and 200 DWSS workers are reviewing and adjudicating PUA claims.

The two unemployment systems generally require staff to access both systems before making a decision on a claim. In the PUA system, for example, staff must first look for employer wages over the last five quarters in the UI system. If the claimant has UI wages, they should be directed to file in UI; if required the staff may need to manually create a UI claim to replace the PUA claim. This is redundant, inefficient and at times dramatically slows legitimate claimants from receiving the benefits they are legally entitled to receive.

Recommendations

A few recommendations are noted below to transition from the two separate unemployment assistance system processes to one system that can support both UI and PUA claims processing.

- ❑ Evaluate the claimant demand for both PUA and UI call centers and insure that the UI or a successor phone system has the capacity to absorb the volume of calls experienced during the pandemic for both. See the Infrastructure Section for more detail on this recommendation.
- ❑ As soon as practical and assuming the call center phone system has the capacity referenced above, eliminate contract employees from the PUA call center. (As

context, the Federal Law normally requires merit personnel selected employees to support unemployment assistance claims processing. The CARES Act and CARES Act II gave state unemployment assistance agencies a temporary exemption from this provision. The exemption is set to expire March 13, 2021 and would require DETR to replace the PUA contract staff with merit personnel selected state employees at that time anyway.)

- ❑ The GeoSol PUA claims management system is new technology supporting an unemployment claims type that could end, effective April 2021. However, the Strike Force anticipates that some form of permanent “gig worker” unemployment benefit system is likely to emerge as a claims type in future years. As noted in the Infrastructure Section of this report, a new unemployment UI Claims Management/Processing software system is recommended. Any new DETR claims management software system should include the requirements for PUA worker claims processing functionality to best position Nevada for this potential public policy enacted change.

Claims & Management Information Reporting

For much of August, and even thereafter, the Strike Force and DETR leadership struggled with identifying what claims were in what status of review. In “regular” unemployment insurance, claims are processed and resolved, but they aren’t “closed” if an outstanding issue exists. These claims, once established, can exist in the Nevada UI system for years as a person moves from employed to unemployed to re-employed. During the pandemic, this meant that some claimants had issues from previous years that stopped payment on their current claim. In the UI system, issues are tracked, not claims. A UI claim can have more than one issue that would stop payment; some claims have as many as six issues – not all of which hold payment. This data management system made it difficult to report on the outstanding workload in a way that was understandable to the Strike Force, much less the general public.

Going forward, it is important that management reports clearly represent the number of outstanding unresolved UI **claims** and the number of issues preventing a claim’s approval or resolution. Ensuring that managers can easily identify issues which delay or release payment is fundamental to such a report’s value to decision-makers.

Another data issue that must be resolved involves UI claims with a “Questionable Identity” flag. The percentage of open claims with the characteristics of a questionable identity was essentially zero on March 15, 2020. However, by January 4, 2021, about 33% of the roughly 120,000 UI open claims were flagged for questionable identity (about 40,000 claims). These cases are not being actively worked; they are on hold since the claim is most likely fraudulent but are still included in the inventory report. DETR will need to exclude these cases from the report in the future in order to clearly assess the backlog.

On PUA cases, the sheer volume of cases made it difficult to identify which cases were ready for review. The Strike Force and DETR leadership began requesting reports by date and by identifying cases where claimants had uploaded documents, starting with the oldest cases first.

As of this report, management information reporting has improved. However, there is still room to improve and clarify reporting to show changes in the status of unemployment claims at various stages of review/payment/resolution.

Recommendations

- Continue to refine the UI and PUA claim/issue management information report to best reflect claim volumes and trends.
- DETR staff should continue to provide leadership with weekly updated PUA and UI claims statistics indicating claims in various states of review/denial/appeal as well as Hearing Referee decisions.
- As the systems are improved and/or integrated, build in improved management reporting tools to help leadership understand the status of claims.

Business Process Review

The Employment Security Division had worked with the U.S. Department of Labor over the years to confirm that their processes and practices for claims application, claims customer assistance and claims determination complied with statutory and regulatory guidance. There are instances where the Strike Force identified a procedure or practice that had come to deviate from full compliance with a statute or regulation over time. These types of inconsistencies were brought to the attention of previous DETR leadership and at times resolution was delayed due to staff reluctance to accept that the agency needed a more refined procedure or different data definition for processing or measuring the claims backlog.

Business processes for any state agency should be regularly reviewed. Every agency should strive for continuous improvement. While ESD must comply with federal laws and procedures, its processes do not seem as efficient as they could be.

In light of the pandemic, and the likelihood of high levels of unemployment, DETR should review its business processes to see if the decisions and trade-offs in place still make sense. For example, in several situations, when a claimant speaks to a person on the claims line, it turns out that they have an issue that requires review by an adjudicator to resolve the claim. Some issues of adjudication are faster to resolve than others, yet all are referred to an adjudicator and processed in order. DETR should review this process to determine if any of these issues could instead be resolved by claims examiners on the phone.

The volume of claims added to the confusion and inconsistency in processing claims. The influx of new staff to process the flood of claims understandably created situations where contradictory decisions were made on files, confusing and upsetting claimants. When claimants called in, redeterminations were made in many cases, confusing claimants who relied on the prior determination. It was noticed that one worker might approve a claim, while another, with the same facts, might deny the claim.

Existing processes were also confusing. In both the PUA and UI programs, the first step in the process is a review of monetary eligibility. If a claimant meets that first level of eligibility, they receive a "Notice of Monetary Eligibility."

Virtually every claimant thought that notice meant they were approved for the program, when the notice only meant that if the claimant were able to prove the income they claimed, and also met all the other program eligibility factors, they would be approved for benefits. While this is the standard practice in unemployment, it is confusing to applicants. The State of Utah chose not to utilize this form just for this reason.

Recommendations

DETR is an organization that has experienced years of relatively low unemployment claim volumes and certain practices and processes with some inherent weakness were only revealed when they were stressed by the flood of pandemic related unemployment claims. As a result, the following is recommended:

- ❑ Contract with a vendor and/or DWSS to provide an operational business process review to analyze the current business model and potentially help revamp and streamline work processes and protocols to be as optimally efficient as possible. As context, explore the successful business process redesign that DWSS went through in 2013.
- ❑ It is essential that a training manager be hired to ensure consistency and overall quality control (See the Employment Security Division Unemployment Claims Volume & Staffing Sections).
- ❑ Manuals should be provided on each program and updates should be made regularly. Training should be recorded and updates incorporated to ensure further consistency in the treatment of claims by staff.
- ❑ DETR should review the calls process to determine if any of the call issues currently being referred to adjudicators could instead be resolved by claims examiners on the phone. For example, the team might begin with issues involving verification of identity, allowing adjudicators to focus on more complex issues.
- ❑ DETR should evaluate and implement technology and programming changes to improve communications with claimants. Currently, there is limited ability to communicate informally with UI claimants; some states have the ability to email or text claimants as an example. DETR is dependent on the vendor to implement mass notifications in the PUA system.
- ❑ Improve communication and outreach to help claimants navigate the systems. Create modern claimant handbooks and implement use of videos, FAQs, chatbot self-help technology, tips etc. on a regular basis.
- ❑ Create a mechanism to allow claimants to flag broken links and system issues. Often, claimants on Facebook knew of system issues before the Administrators did.

Claimant Experience & Communication

Direct customer contact/assistance for unemployment claim applications and status is limited or non-existent, in part due to past practice and technology limitations, and in part due to the pandemic. Overall access and communication with claimants should be improved. Today, people get their information from Facebook, Twitter, and other types of social media. ESD should more aggressively utilize technology as a way to reach out to people. Chat or chatbot options might be utilized on the website to reduce phone traffic.

The Chair of the Strike Force was in frequent communication with a founding member of the Nevada Pandemic Unemployment Facebook group. This individual shared valuable information with the Chair who passed these insights from a claimant feedback loop to ESD. This type of communication should occur with DETR and community stakeholders just as other state agencies do with their stakeholders. Perhaps that was not possible when the crisis was at its highest peak as there was no one available to do it. However, this is an essential role that should be created in the future.

Recommendations

The Strike Force chose to separate claimant access and communication from the description and recommendations contained in the section titled “Employment Security Division Business Process Review” not because it should be excluded from a Business Process Review, but due to the importance of claimants and the need to transform the unemployment application process and call center experience from a maze of frustration into a more user-friendly, self-help, one-time contact for a claim’s resolution. DETR’s purpose is to serve employers and employees. These are their customers. Accordingly, DETR’s first contact with an employer and out of work employee, for better or worse, creates the impression of either competence, caring, and professionalism or inversely, the perception of inaccessibility, or the feeling that the claimant is a number rather than a person with real life struggles.

- In the business review analysis, ensure that a review of all procedures is evaluated from the point of view of a claimant and employer.
- Hire a Claimant Liaison whose sole job function is to ensure that the concerns of claimants are heard, information is timely provided, and the system centers around claimants.
- Create modern claimant handbooks and implement use of videos, FAQs, Chatbot self-help technology, tips etc. on a regular basis.
- Create a mechanism to allow claimants to flag broken links and system issues. Claimants on Facebook knew of system issues before the Administrators did in many cases.

Information Technology Infrastructure

UI Claims Management Benefit Computer System

The Strike Force began its work with an analysis of the computer systems used to process benefits. The computer system for “regular UI” went online in 2013. As is often the case for state systems, it relied on updating programming from other states. Although the system is fairly new, some of the coding in the system is actually more than 20 years old. Therefore, DETR’s system has been limited by its coding.

The UI claims management software consists of core applications and third-party applications (Oracle database, for example). The system’s hardware architecture operates on a large computer server farm. The system is a “single environment,” so any programming to change or update the system that runs while claimants are using the system slows the entire process down. Heavy duty processes, for example running the calculations on each claim to generate the payments for the week, are done using batch processing. Because it is a “single environment,” the system can only process one mass production task at a time. At no time was this more apparent than in the implementation of week 5 of the Lost Wages program. The UI system had to be slowed down so many times that payment of these “extra” payments was sent in “batches” of 10,000 an hour. Necessary security upgrades routinely affect the system, preventing timely payment of claims. Another example of this shortcoming: On October 21, 2020, the Governor signed emergency regulations to streamline claims processing of regular UI claims, and the regulations were filed with the Secretary of State on November 2, 2020. Again, because the computer system can only withstand one update or program running at a time, the implementation was delayed behind security updates and Lost Wages upgrades and were not “run” in the UI computer system until January 4, 2021. If the computer system were able to “run” these jobs quicker, this part of the backlog could have been eliminated sooner.

The UI system was never designed to handle the unprecedented volume of claims caused by the reaction to the pandemic: a 1,455% increase in claims. To ensure Nevada’s claims management system can handle the combined volumes of UI and PUA claims processing will require a complete redesign to take advantage of “elastic” cloud information technology processing resources. This will take time and a significant financial investment. Other considerations include the fact that the State’s overall IT management system, EITS, has little or no visibility into the DETR infrastructure. DETR is a “siloed” agency, and this prevents the State’s other IT resources from assisting in a time of crisis. A more centralized or blended IT approach where resources could easily be “transferred” to assist DETR as a situation changes should be evaluated for inclusion in any new UI claim management system’s procurement and implementation.

DETR contracted with the National Association of State Workforce Agencies (NASWA) to undertake an independent assessment of the UI IT system. NASWA reviewed Nevada’s UI claims processing system and shared its report with DETR in January of 2021. Highlights from the report are provided below.

DETR's system has positive attributes. Notably, DETR's system was not offline for days at a time despite the flood of applications. At the same time, there are many concerns and limitations with the system:

- DETR's system relies on highly complex, costly, and sometimes under used 3rd party products that require extensive maintenance by DETR IT staff.
- The system's software design is based on older programs and is therefore complex and "brittle" – meaning extremely difficult to upgrade or adapt. This creates a need for constant use of consultants. DETR staff have also created hundreds of work-arounds to address issues in the system.
- Some of the code in the system is over 20 years old. As is often the case, there is little documentation for the system, making it difficult for staff to improve.

NASWA noted specifically that "the DETR Information Development & Processing (IDP) Developer and Database Administrator (DBA) staffing levels are at the very low range compared to other States that have modernized systems." NASWA acknowledged this was due to the difficulty of attracting skilled staff to support computer systems at the state level. The report notes that the growing IDP workloads will be difficult to catch up with existing staffing.

PUA Claims Management Benefits Computer System

After the new system was open for PUA applications in May, other modules of the program were not operational. For example, the appeals module was not operational until November 2020. Claimants had to wait months for a hearing, preventing timely review of claims. Even worse, some of the claimants who filed claims in the PUA system, were in fact eligible or required to apply for "regular UI" claims before filing in the PUA systems. Some claimants were bounced back and forth between the two systems which did not interface.

Recommendations

Because the separate computer system for PUA was already in operation, it did not make business sense to change out that system. The Strike Force urged DETR to begin training its staff immediately on both systems, so that each claims representative could address a single claimant with issues in both systems. This training was incorporated into operations in September 2020.

The independent assessment of the UI system performed by NASWA produced several recommendations that the Strike Force supports:

- In the near term, DETR can implement a series of updates to improve the performance of the UI system including:
 - Survey the business staff to prioritize areas where improvement in the UI system is most needed; arrange the IDP work item backlog by priority, not chronological order;
 - Review the bottom-line annual cost to maintain the UI system to be clear on the real cost to maintaining the system;
 - Improve IDP staff ability to maintain the system in the interim – including

- continuing weekly trainings for developers and the creation and use of development standards
- Because it is likely that the PUA program will continue through 2021 in some form and may become a permanent addition to the unemployment program, DETR should develop a short term plan to build an interface to allow sharing of data between the PUA system and the UI system. NASWA agreed to consider this issue and provide additional recommendations for DETR.
 - DETR must go through the state process to replace the current UI system:
 - Develop RFP
 - Secure funding
 - Solicit bids
 - Create a project management team to oversee the project
 - Select a vendor
 - Modernize the system

NASWA estimates the cost of modernization of the UI system, based on recent experiences of other states and an understanding of the market would be as follows:

COSTS	DOLLARS
Vendor development costs	\$20-30 million
Other costs (staffing, consultant support)	\$10-12.5 million
Annual sustainment costs	\$3-5 million

The price ranges depend on the customizations needed to meet state and federal requirements and agency processing guidelines.

The Strike Force recommends that the Governor include funding in his 2022-23 budget for the recommendations, and that the Nevada Legislature approve it.

Improve the UI Application System

The UINV computer system could be improved to reduce claimants selecting a wrong option, leading to adjudication and delays. A number of suggestions were received from community groups on how to improve the UI computer system. The Strike Force recognizes that it may make more sense to implement these changes in the new system. However, DETR should put changes in place immediately if possible.

Recommendations

ESD should update its UI system to enhance the user experience and make answers to questions easier to understand, thereby preventing claims from being unnecessarily sent to adjudication. These improvements include:

- Accessibility: Provide a Spanish-language version of the online claim system.
Update: Expect this functionality to be operational shortly.

Employer List

- On the “Please provide your Employer Information” page, display the DBA names of employers in addition to their legal entity names. A claimant might not be able to recall the legal entity name of a past employer.
- Make more prominent the warning about the need to match the employer's legal entity name on W-2 form or paycheck.
- Do not lock people out for selecting their wrong past employer, or at least allow more than one attempt, especially if the system has not been modified to display employers' DBA names.

Separation Issues

- Provide a pop-up glossary on the “Separation” page that explains the many options on the drop-down menu for answering the “Reason Employment Ended” question.
- Explore options to “pre-verify” eligible separations. For example, employers could be required to provide a list of employees to be laid off when they send DETR a WARN Act notice. If done in a systematic way, the separation verification for such employees’ UI claims can be done before they file for UI, thus expediting the approval process. This kind of mass filings by employers is the practice, in different forms, in states such as Georgia, South Carolina, Tennessee, Texas, Kansas, and Alabama.

Non-Citizen Claimants

- Program the system to accept Permanent Resident cards or equivalent documents that do not have an expiration date and/or an A number.
- Provide instructions for how individuals with such documents should complete the UI application. For example, “Enter your USCIS # or I-94 number if you don’t have an A number” or “Enter ‘None’ if your immigration document does not have an expiration date.”

Prior Overpayments

- Allow claimants with overpayment issues in the past to be approved for the current claim with the condition that they may “return” the prior overpayment in part from new benefits. Currently, a claimant in this situation is required to pay back the historical overpayment before their current claim is processed. However, when someone applies for unemployment, they are likely already facing financial challenges and are likely unable to pay back previously owed amounts before they are provided financial support such as UI benefits.

Contesting Wages

- Provide clear instructions for how someone can protest their wages on the “Unemployment Insurance Benefits Estimator” page in the online claim filing system.

UI Claims Application Question and Need to Clarify Meaning of Union Members

- Our understanding is the “union with a hiring hall” as used in this question only refers to arrangements where jobs are filled exclusively through union referrals. To avoid confusion for members of other unions that do not function like this, the question should be rephrased. For example, “Are you a member in good standing of a union with an exclusive hiring hall such as in the construction industry?”

Technical Fixes

- Allow past phone filers to register online.
- Allow claimants to send required documents by email or mail. Only providing a fax number makes it difficult for most claimants to fulfill documentation requests.
- Requests for documentation from the Unemployment online system can be communicated to claimants in a more effective and more helpful way. Currently, after answering a question on Fact Finding, red text appears telling someone to fax their information or call a number. These messages are often missed by applicants and should be displayed in a more prominent way. These requests should also show up in the claimant account's "My Documents" area and be automatically sent to the claimant by email and/or regular mail.

Phone System and Call Center Issues

The State's Enterprise Information Technology Services (EITS) proposed a state Unified Communication (UC) platform to allow agencies to modernize away from old phone systems, but the State has not yet invested in this infrastructure. If Nevada does not fully fund a replacement communications system statewide for all agencies, boards, and commissions in all three branches, the state will continue to face severe difficulties operating effectively in the face of economic and public health crises.

When the pandemic hit, DETR was in the early stages of a phone system update. In 2018, EITS replaced their Avaya 6 version phone system with an upgrade to version 8. Many DETR units are still either Avaya 4 or 5. Last biennium, EITS partnered with DETR and tried to move forward with a UC platform phone system and both initiatives were unfunded. DETR is only part way through upgrading their phone system and EITS staff suspects there are significant limitations existing with DETR's outdated system plus limited maintenance support that likely makes the cost of support and parts to maintain it very expensive.

All state agencies have independent phone systems (DETR, LCB, NDOT, Supreme Court, Welfare, DMV, and DOC); however, all agencies ride the same ATT Legacy circuits between Reno and Carson City. As DETR's call volume skyrocketed as the pandemic intensified, it saturated the ATT pipe between Reno to Carson City which affected everyone in Carson City using those circuits. This caused the "fast busy" so many claimants experienced. The only agency/independent system that was not affected was NDOT which is off the legacy circuits and using Session Initiation Protocol (SIP) a form of voice-over-internet system. EITS Telecom staff worked with AT&T to replace the legacy ISDN trunk line with two new SIP trunk lines, one from Reno to Carson City, and one in Las Vegas. The northern trunk line was operational by May 2020 and the Las Vegas trunk line was operational by June 2020. This reduced the incidence of the fast busy signal and provided saleable phone circuitry in case of recurrence of large call volume in the future. The Department of Administration ensured CARES Act funding was available for this unbudgeted expenditure.

Besides the technical issues with ESD's phone system, early on, a decision was made to bifurcate the call centers for UI and PUA, resulting in confusion for claimants when a PUA claim should have been a UI claim or a UI claim should have been a PUA claim. Employees were not cross-trained. These silos are gradually being broken down; a claimant should be helped no matter where they call.

Recommendations

The ESD Call Centers are bifurcated into two separate operations and its employees are not cross-trained. Complicating the call center operations is the system's reliance on outdated phone system technology.

- Integrate the PUA call center into the UI call center to facilitate the creation of one UA call center for claimants.
- Request a sufficient number of new state employee positions to prepare for the end of the use of Maximus staff working at the PUA call center.
- Cross train all call center staff to either be specialized in UI or PUA claimant phone call response, while providing the flexibility to assign staff to surges in one or the other forms of UA call volume.
- Continue to coordinate with EITS effort to fund the state Unified Communication platform which will allow agencies to modernize away from their old phone systems

Preparing for Future Extraordinary Increases in Unemployment Applications

While we hope we will never see another pandemic in our lifetime, we know that a high unemployment spike will arise again in the future when there is a downturn in the economy. The Strike Force and DETR leadership believe a plan is needed on how to ramp unemployment assistance services up efficiently and effectively for situations of rapid increases in unemployment claims. The steps that the Strike Force and DETR leadership took here should be catalogued for a future event.

Recommendations:

Develop a written plan on how to address a future sharp uptick in unemployment claims, including:

- Investigate implementing a pilot program with employers/employees so that the employer may assist in inputting all necessary information for employment claims upon lay-off. This approach may yield tremendous benefits and is being employed in at least one state. If done in a systematic way, the separation verification for such employees' UI claims can be done before they file for UI, thus expediting the approval process. This kind of mass filings by employers is the practice, in different forms, in states such as Georgia, South Carolina, Tennessee, Texas, Kansas, and Alabama.
- Continually cross-train internal DETR staff as well as other state workers including the DWSS eligibility workers.
- Immediately hire retirees for a short period of time.
- Maintain contracts with staffing companies.
- Have a leader in training and training materials including recorded trainings ready to go.
- Bring in a strike force immediately. Having leadership from various state agencies departments, the Governor's office, and individuals from private sector working together is invaluable.

Working with our Congressional Delegation:

Delays in delivering benefits would have been minimized if Congress and the Administration would have written laws and policies in a different manner. Today, many workers have independent contracting and regular W2 employment. The new federal legislation provided that if any independent contractor had even a small amount of W2 wages, they had to apply for “regular” unemployment. No independent contractor understood that as it was counter-intuitive – most of their income was from independent contracting. This one section in the bill caused claims to have to be considered in both programs and caused delays for thousands of mixed income claimants. Eliminating provisions like this would reduce staff time to process claims, thereby preventing delays. Numerous examples of this exist.

Recommendations:

- Work with our Congressional delegation to ensure that Congress does not complicate the delivery of benefits in their rush to deliver them.
- Recommend to Congress that if you want to quickly get income to Nevadans, provide that income directly through stimulus checks so that States do not have to set up new computer systems and subject claimants to complex rules which render certain individuals ineligible for payment.
- Recommend to the Administration that they not set up different unemployment payment systems such as Lost Wages which requires reprogramming which delays benefits.
- If Congress reauthorizes the PUA program past April, urge Congressional leadership to consider the following changes:
 - Allow a person to apply and receive PUA if their income is primarily from independent contracting. As stated above, the PUA program requires that if a claimant has any amount of W2 wages, the claimant must be paid from the UI system, not the PUA system. In its most recent change in the CARES Act extension, Congress is allowing claimants with W-2 income to receive an additional \$100 a week for 11 weeks if they can demonstrate they received more than \$5,000 in self-employment income in the previous tax year. This will take a great deal of time to implement; it would be much easier to implement the suggestion made above.
 - Do not require a reassessment of UI eligibility at each “quarter” change. The current federal statute requires each system to reassess claimants’ eligibility at each quarter change, i.e., April 1, July 1, and October 1. While this is the standard process in UI, it created a huge backlog in PUA. In addition, countless PUA claimants ended up having to leave the PUA program for a quarter if they had managed to find a temporary job to help them get through the crisis. In those cases, their UI benefits were significantly lower than their PUA benefits. And the process created incredible confusion and frustration for claimants.

Conclusion

When the pandemic hit our nation, Nevada's unemployment office, like many in our nation had staffing to serve the claimants it currently had – 20,000 at the time. Rushing to assist, Congress created a brand new program to help certain unemployed workers who never qualified for "regular" unemployment before – gig workers. At the same time, claims came flooding into the Nevada system. Within five months of the pandemic striking Nevada, Nevadans filed 469,191 "regular" unemployment claims and 344,681 PUA claims, a total of 813,872 applications. At the same time, Nevada was hit with fraudulent applications, unlike anything it had ever seen before. Criminal networks hit unemployment offices across the country, using legitimate names, social security numbers, and employers, but included their own bank account.

Despite dealing with this unprecedented level of volume, and this unprecedented level of fraud, the State paid an astonishing 510,244 claims without any delays. But by August, claims processing, especially with PUA claims, had slowed down as the state struggled with an extraordinary level of fraud.

The Strike Force quickly went to work, logging hundreds of hours over the last several months. Working with Director Elisa Cafferata, a new leadership team was installed at DETR. An innovative staffing plan was implemented, adding staff to process the claims that were stalled. Anti-fraud measures were explored and implemented so as to get benefits to legitimate Nevadans. Backlogged cases were analyzed and prioritized, reducing the pre 8/1 backlog from 243,667 to 16,874. A future backlog elimination plan was formed to reduce cases filed since the Strike Force was formed.

While many challenges remain, with the new department leadership in place, and the measures taken by Director Cafferata and the Strike Force, we are confident that the Department will meet these challenges, and continue to improve its processes and systems to serve Nevadans in need. Nevadans deserve nothing less.

Appendix A – Glossary of Terms and Definitions

Adjudication / Adjudicator

Adjudication is the process the unemployment insurance system uses to resolve claim issues in both its traditional or regular “UI” program and in the PUA program. The individual who completes the fact gathering and resolves the claim issues is called an adjudicator.

Alorica

Alorica was one of Nevada's contracted partners for assisting the Employment Security Division (ESD) with the PUA call center. Alorica was originally contracted to answer phone calls and assist claimants with general questions related to the Pandemic Unemployment Assistance (PUA) program filing process.

Coronavirus Aid, Relief and Economic Security (CARES) Act

The Coronavirus Aid, Relief and Economic Security Act provides direct economic assistance for American workers, families, and small businesses, and helps preserve jobs for American industries. In unemployment, the CARES Act established PUA, PUEC, and FPUC.

Department of Employment, Training and Rehabilitation (DETR)

The Department of Employment, Training and Rehabilitation is the state's lead workforce development agency. It consists of divisions that offer workforce-related services, job placement and training, services for people with disabilities, investigation of claims of discrimination, unemployment insurance benefits, labor market data and more.

Division of Welfare and Supportive Services (DWSS)

The Division of Welfare and Supportive Services is housed under the Department of Health and Human Services and is responsible for providing public assistance benefits and support for children with absentee parents.

Employment Security Division (ESD)

The Employment Security Division is housed under the Department of Employment, Training and Rehabilitation (DETR) and is responsible for the state's unemployment compensation program, workforce development, and the Commission on Postsecondary Education.

Gig Workers

Gig workers are independent contractors, online platform workers, contract firm workers, on-call workers and temporary workers. Gig workers may enter into formal agreements with on-demand companies to provide services to clients.

Lost Wages Assistance (LWA)

The Lost Wages Assistance program is a temporary unemployment benefit created by Executive Order. LWA was established and administered in partnership with FEMA. LWA provides a plus-up of \$200 per week for up to six weeks. LWA could only be paid to claimants receiving at least \$100 per week of benefits during the weeks covered by the program.

Maximus

Maximus is one of Nevada's contracted partners for assisting the Employment Security Division (ESD) with the unemployment claims backlog. Maximus assists with providing remote agents to answer questions, support initial claims processing, and support adjudication of Unemployment Insurance and Pandemic Unemployment Assistance (PUA) claims.

Appendix A – Glossary of Terms and Definitions

Ombudsman

An ombudsman is an official who is charged with representing the interests of the public by investigating and addressing complaints from an agency's clients or constituents.

Onboard/Onboarding

To onboard is to go through procedures to effectively integrate a new employee into an organization. For DETR, onboarding includes not only training but also the requirement to give staff the credentials and technology needed to access DETR's unemployment computer systems.

Pandemic Unemployment Assistance (PUA)

Pandemic Unemployment Assistance is a newly created program that temporarily expands unemployment benefits to self-employed, 1099 contract workers, gig workers, employees who have not earned enough wages or worked enough hours to be eligible for regular unemployment benefits, or individuals who were going to start work but could not due to the COVID-19 pandemic.

Strike Force

Established by Governor Sisolak, the Strike Force refers to the group of volunteers that assisted in identifying issues and making recommendations regarding the State's unemployment compensation system.

Unemployment Insurance (UI) / Regular Unemployment Insurance (UI)

Unemployment Insurance also referred to a "Regular UI" is the regular federally created program for payment of benefits for employees who are laid off due to no fault of their own.

Worker Adjustment and Retraining Notification (WARN) Act

The Worker Adjustment and Retraining Notification Act helps ensure advance notice is given to employees and the state in cases of qualified plant closings and mass layoffs. After receiving a WARN notice, DETR works with the employer to set up assistance for soon to be released employees to file for benefits and/or sign up for new training.