

DUA ADVISORY COUNCIL MEETING June 21, 2018

MINUTES

The meeting started at 9:45 am.

Council Attendees: Kirsten Siemering, Katherine Holahan, Richard Marlin and Brenda Wornum Moore

EOLWD/DWD/DUA/Public Attendees: Rick Jeffers, Rena Kottcamp, John Saulnier, Jennifer Lavin, Marie-Lise Sobande, Evie Arroyo-Barrows, Marie Orlando (DUA)

I. EXECUTIVE UPDATE:

Director, Rick Jeffers

- A quorum was established, Rich Marlin motioned to approve minutes from the May 17, 2018 meeting, all voted in favor.
- DUA update:
 - EMAC Supplement – Director Jeffers stated DUA collected approximately 95% of what was calculated as being due. The collection effort will continue. Katie asked if the technical issues with deferrals have been done and if it counts towards the 5%. Rick answered that most have been cleared. We have our final UI online software build for EMAC Supplement next week as of the 28th everything that was needed to be built in UI online to support the EMAC Supplement, including the automated process for refunds based on HHS. If more information is needed on the build we can send you the info. **Rich Marlin** asked if there is more than one employer, how do you treat multi-employer claims. In the building trades you can work for 10 employers. **Director Jeffers** answered we can charge them all if wages are over \$500 in that quarter. At some point Rich Marlin would like to sit and get a better sense of EMAC for multi employers. Reminder the next Quarterly filing is July 1st.
 - UI online – Peak period, brought on 40 seasonal employees and offering weekend overtime.
 - State Auditors Report – Available on website. The report scope is on Revenue collections area. It covers July 1, 2013 through Dec 31, 2016. There are two findings that were significant 1) DUA did not properly administer the collection of millions of dollars in UI Contributions and 2) DUA did not intercept over \$18 million in payments made by the Commonwealth to state contractors who had delinquent UI contributions. DUA will work with collecting money better than we are now. DUA implemented the UI online system on the Tax side 12/7/09 and there was functionality within UI online system in the Revenue Enforcement area that never worked properly and it's made it challenging for our staff to enforce the Revenue activities to the volume that we need. There are a lot of manual processes and what we need to do is automate some of the Revenue Enforcement activities to work at a higher volume.
 - Update on current accounts receivable. Total is \$303,854,808 – Principal is \$185,519,331 – Interest is \$113,320,836 and Penalty is 5,014,641. By program – UI is \$160,662,306, EMAC/UHI is \$19,306,670, WTF is \$2,855,105 and Interest/penalties is \$121,030,727. By debt age in days 1-30 is \$33,970,244, 31-60 is \$2,684,272, 61-90 is \$2,419,450, 91-120 is \$4,991,371 and 121-365 is \$21,217,609. In Months/Years – 12-24 \$24,252,899, 6-10 years is \$67,408,200 and greater than 10 years is \$33,999,536. **Rich Marlin** asked if there are employers in all the categories greater than 10 years or out of existence. **Marie-Lise Sobande** answered there are some that no longer existence and some that are still active and have debt in more than one category. **Director Jeffers** added there hasn't been a charge-off in quite some time. We are breaking things down to narrow down what is uncollectable. **Katie Holahan** asked when the last time an undertaking of something like this was done. Rena Kottcamp answered around 2008/2009 before the system converted. **Director Jeffers** also added DUA will do work to pursue the debt and will be investing \$900,000 in repairing the UI Online System and working with vender CGI to finish by the end of the calendar year. The goal is to have enforcement functionality in the system and working in an automated way. The changes in the system will help us to get to the debt quicker and the recovery in faster. It is an important priority and we need to spend our time on it. **Rich Marlin** asked if these people are identifying with DUA they have wages are not paying or are you

getting these from DOR, how do you identify you have almost \$34 million unpaid. **Director Jeffers** answered, there are employers that will file quarterly reports and not pay what is required by law and there are employers that don't file at all and our system will generate an estimated amount due. There are employers that go out of business and not tell us. When they do tell us we will suspend the accounts and not generate an estimate. DUA will focus on this for the second part of the year. We will begin the Charge-off process, with the bankruptcies first and we will analyze the data and give the correct information to you. The other thing the Audit Report brought to light was the State Tax Intercept Program, administered by the Comptroller's office for years our Legal Department thought we did not have legal authority to participate. If the employer owes us contributions, before the Commonwealth pays the contractor we can intercept the money. There is also a Federal Tax Intercept Program that we are eligible to participate in. For a number of years DUA had a Compliance Program with ABCC that would bring in \$7-11 Million a year. This was done manually and the interface broke down. We are now working with ABCC, re-engaging and will implement a program of Certificate of Good Standing. If employers are delinquent on their account they may be denied their liquor license. This is similar to the program ABCC and DOR have. We also spoke with Division of Professional Licensure and looking to set up an interface with them. Also DUA has had an MOU with AG's office to prosecute cases for us. DUA had not been referring tax cases to them so we have since referred cases and have generated a substantial amount of money for the Trust Fund. **Katie Holahan** asked if all of this is included in the Auditor's Report response. Rick will provide a Project Plan Update for the Auditor's Report. Marie-Lise is the Acting Director of Revenue and we are looking at staffing along with a business effort to make sure funds get matched appropriately. If an employer does not give us the account they are paying, it will sit in an unmatched fund until we can work with the employer to put the money where it belongs and can make our accounts receivable look inflated. This will take manual intervention. **Brenda Wornum Moore** asked for a total amount of unmatched funds. Director Jeffers asked the council to read the Auditor's report and he will answer any questions. **Katie** asked if the EMAC appeals have been resolved. **Rick** said we received around 2000 requests and many were not appealable. Over 1000 were dismissed. We have been holding hearings for several weeks. Most of the hearings are being affirmed with few resulting in overturned.

II. **UI TRUST FUND UPDATE:** **Rena Kottcamp**

- Preliminary May 2018 Massachusetts UI Trust Fund balance was \$1.303 billion. The preliminary private contributory account balance was \$1.188 billion and the governmental contributory account balance was \$115 million.
 - Average weekly benefit amount in May 2018 was \$509.59, \$1.54 or 0.3% more than the May 2017 average amount of \$508.05
 - The 17.6 week average duration of a claim through May 2018 was 0.2 week longer than the average duration for the same time span last year. Average duration is computed on a twelve month moving average.
 - Year- to-date preliminary benefit payments of \$664.1 million through May were \$24 million lower than total payments made in the first five months of 2017 but just \$0.8 million less than the latest projection.
 - Through May 2018 total preliminary Employer Contributions of \$986.8 million were \$113.8 million more than last year's collections through May on a lower tax rate schedule. Year-to-date preliminary contributions were \$10.4 million higher than expected.
 - As a result of the differences between actual and projected contributions and payments, the May 2018 preliminary private contributory balance of \$1.188 billion was just \$11 million higher than the latest projection of \$1.177 billion at the end of May. The 2018 year-end private contributory account balance is now projected at \$1.084 billion.
- Next meeting is scheduled for July 19, 2018 All are welcome to submit agenda items or topics you would like to discuss.
 - Katie asked what's in the UI Online software build for EMAC
 - Katie asked for a project plan for collections
 - Brenda requested total amount of unmatched funds
 - Rich Marlin asked about Marijuana dispensaries and cash - bank accounts
 - If you have questions about the Auditors report, please send them in advance of the next meeting to Marie Orlando.
 - Meeting adjourned at 10:35am