

December 29, 2023

Stewart Knox, Secretary
California Labor and Workforce Development Agency
800 Capitol Mall, Suite 5000
Sacramento, CA 95814

Dear Secretary Stewart Knox,

In accordance with the State Leadership Accountability Act (Leadership Accountability), the California Unemployment Insurance Appeals Board submits this report on the review of our internal control and monitoring systems for the biennial period ending December 31, 2023.

Should you have any questions please contact Gregory Crettol, Assistant Executive Director, at (916) 263-6750, gregory.crettol@cuiab.ca.gov.

GOVERNANCE

Mission and Strategic Plan

The California Unemployment Insurance Appeals Board (CUIAB), established in 1943, is dedicated to protecting the rights of California's employers and unemployed or disabled workers. As an independent administrative quasi-judicial agency, the CUIAB provides timely due process to all California employers and workers seeking to challenge their benefit and payroll tax determinations made by the Employment Development Department (EDD). As part of that due process, CUIAB provides two levels of appeal at no cost to the appeal parties. The first level is an appeal to an Administrative Law Judge (ALJ) with CUIAB's Field Operations. The second level is an appeal of the ALJ's decision to the Board Members. Further recourse beyond a decision issued by the Board may be pursued through the Superior Court. The CUIAB is committed to providing impartial and timely appeal services and improving access to those services for all employers and workers.

Strategic Goals

The CUIAB's strategic goals, objectives, and initiatives include:

1. Appeal Decisions – Impartial & Timely

Provide timely and impartial hearings and decisions and preserve due process at all stages of the appeals process. Parties to appeals to the CUIAB are often under extreme financial hardship and need a decision as soon as possible.

- Modernize the CUIAB appeals system, processes, and services to better respond to the needs of California's employers and workers.

2. Accessibility to Justice for All

Provide the CUIAB's constituents with quick and easy access to appeal services over the Internet.

- Modernize the CUIAB appeals system and program to provide access to appeals information for appeal parties through a secured online public portal.
- Provide staff with tools to respond to appeal parties quickly, conduct hearings, and manage appeal files more efficiently.
- Conduct public outreach of our appeal programs and services.
- Provide parties to appeals with quick and easy access to appeal services in multiple languages over the Internet.

3. Fiscal Stewardship

Manage resources responsibly, effectively, and efficiently.

- Utilize process improvements and best practices to make the CUIAB appeals process more efficient.
- Invest in innovative technology that will allow the CUIAB to utilize resources more effectively, efficiently, and enable us to respond to appeal workload and budgetary fluctuations throughout periods of economic change.

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4. Commitment to a Skilled Workforce

Develop a well-trained workforce that delivers prompt, high-quality services to the public that adapts well to change.

- Recruit, develop, and retain a quality workforce. This includes planning for succession.
- Provide leadership training for managers and supervisors.
- Provide training to improve staff's ability to identify potential process improvements.
- Offer training to reinforce existing skills and teach new skills. As the CUIAB modernizes, staff and judges can transition successfully to new technology.

Control Environment

CUIAB Board

The CUIAB's governing body is a five-member Board. Three members are appointed by the Governor, one member is appointed by the Senate President Pro Tempore, and one member is appointed by the Assembly Speaker. In addition to fulfilling its statutory responsibility of reviewing and deciding second level appeals, the Board provides oversight of the California

Unemployment Insurance (UI) appeals program. This includes approving major policies that govern the entire organization and monitoring performance during monthly public board meetings, where Board Members review, consider, and make decisions on operational matters presented by senior management. Program accountability is also enforced by the CUIAB Board Members during monthly board meetings.

Leadership Groups

At the program and field operation levels, there are two internal governing leadership groups; senior management and Supervising Administrative Law Judges (SALJs). The senior management group include the Executive Director/Chief Administrative Law Judge, the Assistant Executive Director, Chief Counsel, Chief of Information Technology, and the Chief of Administrative Services. The senior management group meets and discuss oversight of the statewide appeals program, policies, procedural manuals, workload, and performance indicators, operating budget, staffing levels, United States Department of Labor (DOL) quality standards, and regulatory changes at state and federal levels to adequately address potential impacts to the UI program.

The SALJ group is comprised of the Executive Director/Chief Administrative Law Judge, Assistant Chief of Field Operations, Assistant Chief of Training and Development, the SALJ from Appellate Operations, and SALJs from each of CUIAB's respective eleven Field Offices. This leadership group regularly meets and discusses the oversight and administration of appeal hearings conducted statewide, staff and workload capacity, and implements and conveys operational directives to judicial and non-judicial staff at the Field Office level.

Management's Demonstration of Integrity

Using a top-down approach and guided by the CUIAB's fundamental core values of Service, Integrity, Respect, and Accountability, members of these two governing groups' conduct, attitude, and behavior exemplify ethical values and integrity that ensures a successful, effective, and sustainable environment within CUIAB. These members possess the operational expertise necessary for the overall development, establishment, maintenance of internal controls, monitoring systems, and assessing and mitigating risks to protect the integrity of the UI appeals program.

Standard of Conduct Controls

To ensure transparency and accountability, the CUIAB management team adheres to the California Conflict of Interest Code through filing of Form 700, specifically for Board Members and employees who make or influence governmental decisions impacting the public interest.

To maintain core ethical values and workforce competency, the CUIAB'sALJs are required to comply with the California Canons of Judicial Ethics. Any complaints from the public or CUIAB employees are directed to the Office of the Chief Administrative Law Judge, where staff are assigned to investigate complaints. Additionally, concerns regarding the code of conduct or ethics of an ALJ or CUIAB employee may be directed through the proper chain-of-command or via the complaint process through the California Whistleblower's Act managed by the California State Auditor.

California Appeals Management System (CAMS)

CAMS is a cloud-based case management system that features innovative technology for both internal and external users. CAMS has built-in business requirements (controls) that electronically monitor the appeals administration process, starting from the initial receipt of an appeal from EDD through completion of the appeal decision. CAMS has allowed CUIAB the ability to go paperless and improve all processes of its appeals case management process, starting from the electronic receipt of appeal cases files from EDD, digitally processing appeal cases, electronic workload transfers, automatically scheduling hearings, providing the capability to conduct phone hearings, issuance and transmission of appeal decisions, and much more. Ultimately, CAMS provides appeal parties timely access to appeal case information and will afford CUIAB opportunities to make additional process improvements moving forward.

Key Performance Indicators (KPIs)

To monitor and control the UI appeals program performance quality, CUIAB developed KPIs that align with DOL's performance quality standards. Utilizing KPIs, the CUIAB can validate the timeliness and case aging for all UI appeals at the first and second level. In instances where KPIs indicate performance standards are deviating from DOL quality standards, leadership groups are charged with identifying the root-cause and developing operational solutions to resolve the issues accordingly.

Information and Communication

The CUIAB is legislatively mandated to provide employers and workers access to an independent administrative appeal process and to meet performance standards set by DOL. As a service-based agency, the CUIAB relies heavily on reliable data and comprehensive communication statewide. The CUIAB recognizes that effective and streamlined communication is crucial in achieving its mission. For this reason, the CUIAB has implemented and documented communication standards and procedures to address staff at all levels, which includes making those materials available via an internal SharePoint site, in CUIAB duty statements, objectives explained during project assignments, structured in organizational charts, performance reports, and access to live production data where appropriate.

Communication Structure

Communications that impact the entire agency generally have a top-down approach, starting from Board Members, who have oversight over the entire organization, which is then dispersed internally and externally. Regularly scheduled meetings for both internal governing leadership groups (senior management and SALJs) are also platforms used to align communications and disseminate directives throughout CUIAB to ensure effective administration of the California UI appeals program. The Executive Director/Chief Administrative Law Judge is also responsible for reporting and communicating high priority items to the Board Chair and/or to the full Board during regularly and publicly held Board meetings. CUIAB SALJs also provide oversight, monitor, convey, and implement directives to their assigned field offices accordingly.

Record and Reports

The CUIAB publishes reliable and relevant data-driven reports relating to timeliness, appeals program and operations, funding, and staffing. These reports are used by the Board and leadership groups to monitor and analyze operational performance to make informed decisions. Additionally, the CUIAB publishes appeal-related data reports on the CUIAB public website, which includes monthly statistics, labor market information, historical trend data, and judicial appeal outcomes.

Public Consumption

The CUIAB public website provides access to information regarding appeals procedures, crucial appeal timelines, forms, regulations and codes, frequently asked questions, public Board meeting information, production statistics, and contact information for all appeals office locations. To further expand public access to appeal hearing information and services, the CUIAB launched its new myAppeal, a tool that allows appeal parties to register and create individual portal user accounts and access the latest appeal case status and information. In addition to publishing guides on how to register and navigate the CUIAB myAppeal portal, appeal parties are provided with an avenue to submit user experience feedback that are actively analyzed and considered to improve user experience.

MONITORING

The information included here discusses the entity-wide, continuous process to ensure internal control systems are working as intended. The role of the executive monitoring sponsor includes facilitating and verifying that the California Unemployment Insurance Appeals Board monitoring practices are implemented and functioning. The responsibilities as the executive monitoring sponsor(s) have been given to: Gregory Crettol, Assistant Executive Director; Michael Cutri, Executive Director/CALJ.

Monitoring Business Operation and Framework

To comprehensively administer and monitor the California UI appeals program, continued assessments of subsidiary areas within the CUIAB appeals process operating framework is required. These subsections include laws and regulations that governs the California UI appeals program, DOL quality standards, analysis of individual field office and statewide workload, resource capacity, information and communication infrastructure, business requirements (controls), workforce competency, ongoing risk analysis, information technology maintenance (resource and skills), and willingness to grow and adjust with the state of California's economic landscape.

Monitoring of Legislative Laws and Regulations

During federal budget negotiations and economic shifts, changes to existing or proposals for new UI benefits and programs are likely to occur, impacting the CUIAB. It is pivotal that the CUIAB leadership groups remain apprised of and current with legislative and regulatory changes. At the start of the COVID-19 Pandemic (pandemic), Congress passed several iterations of new laws that resulted in several new UI benefit programs, which impacted the CUIAB's operations. The CUIAB, unlike other state agencies, is directly impacted during

economic downturns and must make swift and comprehensive decisions regarding staffing, resources, and operational processes to counter and manage instances when new and/or existing UI appeals workload surges. In anticipation of these unexpected surges of UI appeals, the CUIAB leadership groups regularly monitor workload variables to observe statewide workload movements, evaluate workload and resource capacity, funding, innovative technology, and cost savings efforts to ensure the maximum number of appeal cases are processed and closed timely. This highlights how pivotal it is for the CUIAB leadership group to monitor changes to legislative laws and regulations.

Business Requirements

Essential business requirements or controls are built into CUIAB's UI appeals program administration framework to ensure the appeals program functions as intended, which is to timely process UI appeal cases and to meet DOL's timeliness and quality standards. These essential business requirements include metrics used to identify and track key data points, such as case program types, appeal issues, appeal dates, status, age, and cycle time. These built-in business requirements allow the CUIAB to electronically track and manage the entire lifecycle of each appeal case, from appeal date to decision issuance. Analysis of data collected from these built-in business requirements provide CUIAB leadership groups a comprehensive understanding of workload movement, staffing capacity, and the ability to make well informed operating decisions.

RISK ASSESSMENT PROCESS

The following personnel were involved in the California Unemployment Insurance Appeals Board risk assessment process: executive management, middle management, front line management, and staff.

The following methods were used to identify risks: brainstorming meetings, employee engagement surveys, ongoing monitoring activities, audit/review results, other/prior risk assessments, consideration of potential fraud, and performance metrics.

The following criteria were used to rank risks: likelihood of occurrence, potential impact to mission/goals/objectives, timing of potential event, potential impact of remediation efforts, and tolerance level for the type of risk.

RISKS AND CONTROLS

Risk: Not Meeting United States Department of Labor Quality Standards

The CUIAB is at risk of not meeting the DOL's quality standards, especially during times of economic downturns, such as what was experienced during the pandemic when UI appeals surged and surpassed staff capacity. Per federal mandate, DOL oversees the national UI appeals program and has established performance quality standards for each state to comply with. Every April, DOL evaluates each state's cumulative UI program performance for the prior 12-month period, specifically appeal timeliness and case aging, to determine if the federally mandated performance quality standards have been met. Due to the historic volume of pandemic-related workload that was received during the pandemic, like most

other states, CUIAB has not met DOL appeal timeliness standards. DOL's practice has been to place states on corrective action for non-compliance with program performance standards in any year, without regard for the underlying reason.

Control: A - Business Requirements

Built into the CUIAB administration of the UI appeals program are business requirements and features to track and organize all appeal cases, specifically UI cases by status and age, for internal workload analysis and to gage appeals timelines per DOL's quality standards. Depending on the state of the economy, the CUIAB has been able to leverage workload statistics gathered as a result of these built-in business requirements and prioritize workload decisions to objectively meet DOL's timely appeals standards.

Control: B - Key Performance Indicators and Reports

Guided by DOL's core UI performance measures, the CUIAB developed internal tracking tools that calculate and generate KPIs to align with DOL's quality standards. These KPIs are reviewed and discussed regularly by management and leadership groups and reported during monthly CUIAB public board meetings. Findings or indications of performance detracting from standards are escalated for evaluation, undergo root-cause analysis, and discussed to ensure compliance with DOL's standards.

Control: C - Leveraging Technology and Resource

Information technology resources and tools are actively being assessed and utilized to further CUIAB's objective to comply with DOL's quality standards. CUIAB has taken steps to leverage applications, software features and functions, and even custom programming to develop new controls and tools to automatically identify UI appeal cases, calculate case age, and prioritize appeals for hearing, with the intent of meeting DOL's quality standards.

Risk: Federal UI Administrative Grant

The CUIAB is at risk of not receiving enough federal UI administrative grant funding to support the staffing levels necessary to process the long-term increase of UI and pandemic-related appeals received during the pandemic and in instances of economic down-turns. Not having adequate funding would reduce services and increase employers' and workers' wait times for appeal decisions.

Control: A - Balance Workload, Staffing & Funding

The CUIAB must continue to balance workload, staffing, funding, and sustain cost savings efforts to ensure it is processing the maximum number of appeals with available funding. To do so, the CUIAB will continue to monitor regulatory changes, funding, workload, and staffing capacity.

Control: B - Pursue Alternative Funding Sources

With UI program funding winding down, the CUIAB will maintain communication and collaborative efforts with EDD to analyze and project workload. Together, this partnership identifies other possible sources or methods of funding to support the UI program as federal funding is winding down and/or is cut during the federal budget process

Risk: California Appeals Management System (CAMS)

While CAMS offers a comprehensive, web-based case management system that more efficiently processes appeals and will allow the CUIAB to address future workload increases, the dedicated resources necessary to complete the new appeals system impacted the overall operations to some extent. Additionally, implementation and the associated training necessary to switch from the legacy systems results in lower capacity to hear appeals for Field Offices for several months and impacts reporting.

Control: A - Technology Project Governance

The Governance Committee, which has been responsible for monitoring, assessing, and identifying technology-driven risks, will continue to oversee ongoing developments and implementation of CAMS. The committee reviews new and existing business requirements (controls) and operating standards to ensure they are functioning as intended. The committee will also work to develop policies and procedures that will help identify risks, develop mitigating solutions, and communicate aligned directives to ensure a successful implementation plan.

Control: B - CAMS Project Team

The CAMS Project Team, a group of individuals with in-depth institutional knowledge of the UI appeals program, will continue to play a critical role in mitigating risk and are key contributors in the planning, development, and enhancement efforts of CAMS. Moving forward, the team will continue to develop and reengineer process maps, improve existing business requirements, and implement new business requirements.

Presently, the CAMS Project Team is working with a newly contracted vendor (Outreach Solutions as a Service(OSaaS)), and is comprehensively reviewing and assessing risks in CAMS to develop enhancements and improve internal and external user experiences.

Control: C - Development of Business Requirements

To successfully develop and implement the CAMS, comprehensive appeals administering structures were developed, risks and risks mitigating tools were evaluated, and each juncture and aspects of the new appeals process were tested to ensure essential operational requirements functioned as intended.

Control: D - Implementation

As of December 2023, CUIAB successfully implemented CAMS in all eleven field offices,

including appellate operation. Moving forward into 2024, the CAMS Project Team and Governance Committee will focus on developing business requirements and enhancements to transition the Office of Tax Petition and any remaining sub-operating sectors into CAMS.

Post-transition into CAMS, the Governance Committee will continue its oversight of CAMS, which includes ensuring proper business requirements are in-place and working with the CAMS Project Team to development system enhancements and ensure sufficient training, tools, and resources are made available internally to staff and externally for all myAppeal portal users.

CONCLUSION

The California Unemployment Insurance Appeals Board strives to reduce the risks inherent in our work and accepts the responsibility to continuously improve by addressing newly recognized risks and revising risk mitigation strategies as appropriate. I certify our internal control and monitoring systems are adequate to identify and address current and potential risks facing the organization.

Michael Cutri, Executive Director/CALJ

CC: California Legislature [Senate, Assembly]
California State Auditor
California State Library
California State Controller
Director of California Department of Finance
Secretary of California Government Operations Agency