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## Lawyers say thousands in Michigan mistakenly charged with unemployment fraud

By Michael Gerstein,  
Associated Press

LANSING — A \$47 million computer system that came online after the state's unemployment insurance agency laid off about 400 people in 2012 to cut costs has been mistakenly charging thousands of people with fraud, some lawyers say.

State lawmakers are holding a series of legislative hearings, with two scheduled this week, to see what can be done about what they say could be an inordinate number of false fraud charges from the agency.

State Rep. Ed McBroom, a Vulcan Republican who set up a panel of lawmakers to look into the issue, said he wants legislation on the House floor by the end of the month, after an April audit found that hundreds of thousands of phone calls to the agency went unanswered while much of its mail was sent to wrong addresses. It said the agency could do a better job of ensuring due process for those it's accusing of fraud.

An earlier February audit found a strikingly low number of appealed cases from 2013 to 2015 were actually upheld — 263 of 3,460, about 8 percent. About 45 percent of appealed cases were dismissed.

"So flip that around, a whopping 92 percent of people accused of fraud didn't do anything wrong," said Jennifer Lord, a Royal Oak attorney working on a lawsuit filed against the agency in the state court of claims. "This fraud program is actually a profit center."

Lord said she believes the agency mistakenly assessed much of the money it levied against people from 2013 to 2015, though officials with the agency said they could not readily confirm how much was actually collected.

But while Rep. McBroom said the issue "dominates our constituent services," he's not sure that means all of the cases not upheld as issued by the computer were necessarily inaccurate or wrongful fraud charges.

"It's possible from what I've seen," McBroom said. "I certainly hope it's not true."

In 2015, the **U.S. Department of Labor** ordered the agency to have real people review fraud determinations and also ordered the agency to review some of the adjudications made by the computer system, or risk losing \$100 million a year in administrative funding. That's the cost of running the program.

But agency director Sharon Moffett-Massey said the system was working as it was designed.

"It was making a decision based on the best information, the same as staff," Moffett-Massey said. "I do not feel there was a problem."

Democratic U.S. Rep. Sander Levin sent a letter to Gov. Rick Snyder on April 25, urging the agency to review more than 60,000 computer-determined fraud adjudications, in addition to the portion of appealed cases the agency reviewed in fall 2015, the letter said.

The audit and some lawyers say that often those charged never receive notifications and so don't have a chance to appeal.

When the old system detected any discrepancies between information entered by an employer and an employee, it automatically determined the employee to have intentionally entered misinformation, the April audit said. Those individuals are then barred from receiving a free legal advocate through the state.

Lawyers for the Detroit-based **Sugar Law Center for Economic and Social Justice** argue that the state's unemployment insurance system has deprived "thousands of Michigan's unemployment insurance claimants ... their fundamental rights under the constitution and under the social security act," a 2015 court document said.

The center filed a suit in 2015 in the **U.S. District Court** in Detroit on behalf of the **United Auto Workers** union and seven people, alleging the agency was violating applicants' rights and filing unjustified fraud charges "without any factual basis," the 2015 court document said.

Tony Paris, a lead attorney with the center, said they're currently waiting to hear the court's determination on a state motion to dismiss the suit, after the court denied one such motion.

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