



**NC DEPARTMENT**  
*of* **COMMERCE**  
**EMPLOYMENT SECURITY**



# NC DES Biennial Report

**2022-2024**



[des.nc.gov](https://des.nc.gov)

December 2024

# Mission Statement

This mission of the North Carolina Division of Employment Security is to administer the unemployment insurance program for the State of North Carolina by delivering efficient, effective and quality service.

## About the Division of Employment Security

The North Carolina Department of Commerce, Division of Employment Security (DES) is responsible for the administration of the unemployment insurance program in the State of North Carolina. State unemployment insurance benefits are paid to eligible workers who lost their employment through no fault of their own; are able and available for work; and are actively seeking work.

The state unemployment insurance program is a federal-state partnership, and benefits are funded by state unemployment taxes employers pay on employee wages. DES's administrative costs are federally funded and based on the state's claims workload. The division receives no administrative funding from North Carolina's General Fund.

Among its duties, DES is required to:

- Collect quarterly state unemployment insurance taxes and wage records from employers.
- Take initial claims for unemployment benefits.
- Determine claimants' eligibility for benefits.
- Provide an appeal opportunity for claimants and employers.

# Leadership



**Machelle Baker Sanders**  
February 2021 – Present  
N.C. Secretary of Commerce



**M. Antwon Keith**  
December 2022 – Present  
Assistant Secretary for  
Employment Security



**Pryor Gibson**  
May 2020 – December 2022  
Assistant Secretary for  
Employment Security

## Message from the Assistant Secretary for Employment Security

North Carolina's unemployment insurance program plays a vital role in providing financial assistance to individuals who have lost their jobs through no fault of their own. The N.C. Division of Employment Security is dedicated to effectively managing this program, with the primary goal of facilitating the transition of individuals back into the workforce and contributing to the revitalization of our local economies.

As we move beyond the pandemic, we have harnessed the lessons learned to implement significant improvements in our claims systems, processes, crisis readiness procedures, and fraud prevention measures. These transformative changes have impacted every aspect of daily operations at DES.

We are also committed to enhancing the customer experience, making the unemployment process more accessible for both claimants and employers. Additionally, we are actively engaged in outreach to previously underserved populations across North Carolina.

Our vision in the post-pandemic landscape is to remain future-focused and innovative as we navigate our path forward. In this report, you will discover not only the progress and successes achieved over the past two years but also our ongoing efforts to address the needs of North Carolinians now and in the future.

Sincerely,

A handwritten signature in black ink, appearing to read "M. Antwon Keith".

M. Antwon Keith

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# Introduction

This report focuses on N.C. Division of Employment Security (DES) operations during the 2022 through 2024 biennium, encompassing the two fiscal years from July 1, 2022 – June 30, 2024.

During the past two fiscal years, lessons learned from the pandemic continued to be the driving force for new agency operations. The agency has focused on several state priorities that include key metrics and performance improvement, tax system modernization, and improving access to underserved populations. This report will provide details about each of those areas.

It also provides a look at other major projects and initiatives completed or currently underway at DES. These efforts will help the agency improve its operations over the next biennium and beyond.

## State Priorities

North Carolina's state priorities for continuous program improvement closely align with the national priorities directed by the U.S. Department of Labor (USDOL). Additional details about each priority are highlighted in this report. Overall, major state priorities have included:

1. **Key Metrics and Performance Improvement:** The tremendous increase in claims volume during the COVID-19 pandemic highlighted the need for accurate, real-time data to manage resources, processes and performance. To address this need, DES has developed 92 dashboards and reports that provide visibility into DES operations and performance in areas of claims, payments, appeals, overpayment investigations and more.
2. **Tax System Modernization:** In 2022, DES began the process of modernizing its unemployment insurance tax system. The new system, launched in November 2023, streamlines DES's processes to better serve the employers of North Carolina, while maintaining North Carolina's track record of high performance in tax administration.
3. **Improving Access to Underserved Populations:** DES believes that all North Carolinians should have equitable access to unemployment benefits. With a \$6.8 million Equity Grant from the U.S. Department of Labor, DES is working to understand and address barriers to access for historically underserved populations.

# Operations Overview

# Administrative Funding

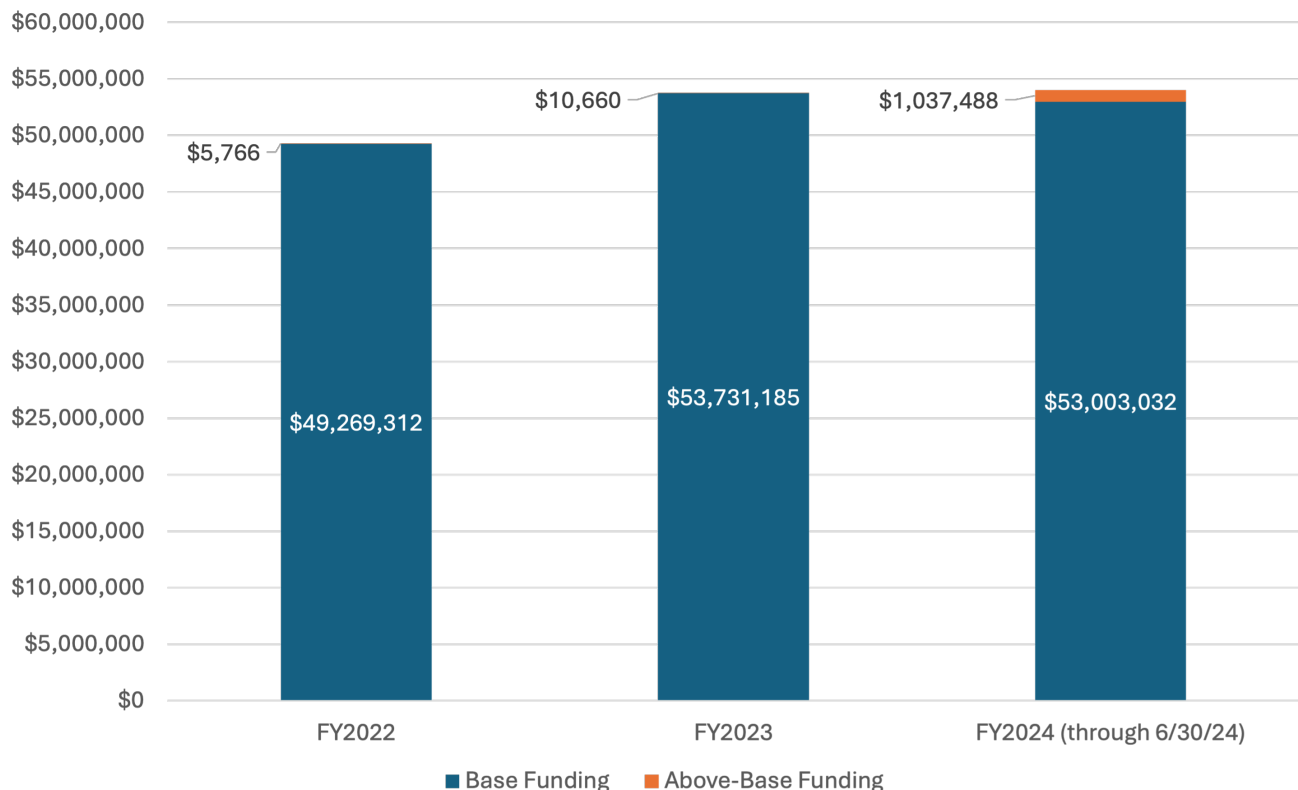
The state unemployment insurance program is a federal-state partnership administered by DES. DES’s administrative costs are fully federally funded; the agency receives no administrative funding from North Carolina’s General Fund.

Federal administrative funding for state unemployment insurance programs is based on the state’s unemployment insurance-related workloads. Generally, when the unemployment rate is low and fewer people are applying for unemployment benefits, a state receives less funding than when unemployment is high, and more people are applying.

The federal government provides states with base administrative funding calculated for a projected amount of workload. If the actual workload surpasses the projection, a state may be eligible for additional above-base funding.

In 2022, DES began moving past the pandemic as the economy increasingly improved. DES funding levels began returning to pre-pandemic levels and these numbers remained stable in 2022 and 2023. Above-base funding increased through the second quarter of FY2024 and is based on the actual unemployment insurance claims workload above the base assignment.

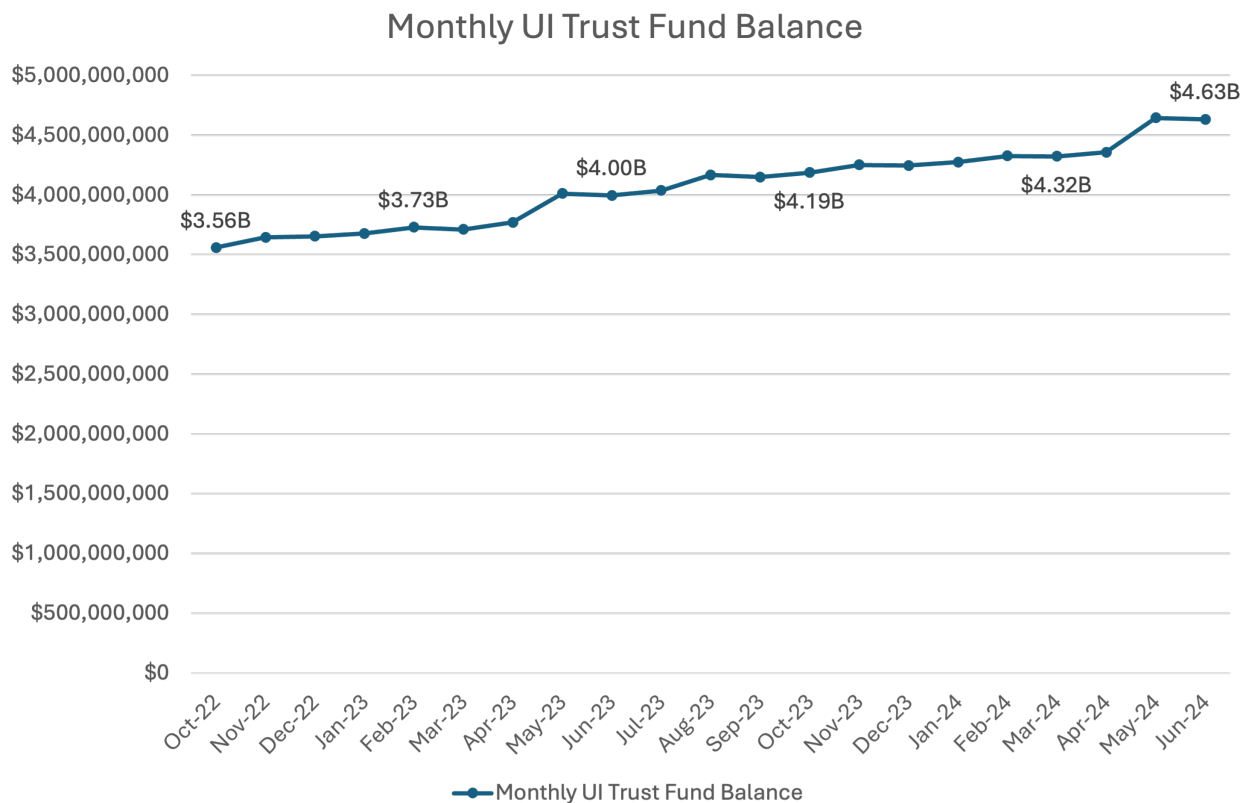
### History of Base and Above-Base Administrative Funding



# Unemployment Insurance Trust Fund

State unemployment insurance benefits are paid out of the state's Unemployment Insurance (UI) Trust Fund. Each state has its own UI Trust Fund account held at the U.S. Treasury. The Trust Fund is funded through state unemployment insurance taxes paid by employers, and by law, may only be used to pay state unemployment benefits.

As North Carolina's taxable employer base continues to grow, the Trust Fund remains solvent and continues to accrue interest. The balance at the end of FY2024 was \$4.6 billion.





# Tax Rate for Employers

North Carolina uses an experience rating formula to assign tax rates to all employers subject to UI tax after they no longer meet the criteria for being a new employer. The base tax rate is one of the factors used to calculate each employer’s tax contribution for the year.

**Under NCGS § 96-9.2(c), the base tax rate is determined by the solvency of the UI Trust Fund:**

UI Trust Fund Balance as Percent of Total Insured Wages	Base Tax Rate
Less than or equal to 1%	2.9%
Greater than 1% but less than or equal to 1.25%	2.4%
Greater than 1.25%	1.9%

**Since 2020, the state of North Carolina has made the following adjustments to employer tax contributions:**

- Senate Bill 704 (Session Law 2020-3), a COVID-19 relief bill signed into law in May 2020, provided North Carolina employers with a tax credit toward their contribution to the state’s UI Trust Fund. The credit was equal to the amount of an employer’s contribution due to the fund for the first quarter of 2020.
- Senate Bill 114 (Session Law 2021-5), DES COVID Modifications, reduced the base tax rate for calendar year 2021 from 2.4% to 1.9%.
- Senate Bill 311 (Session Law 2021-178) froze the rate at 1.9% for calendar year 2022.

## Base Tax Rate History

2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
2.9%	2.4%	2.4%	1.9%	1.9%	1.9%	1.9%	1.9%	1.9%	1.9%

In November 2023, DES replaced its decades old mainframe tax system with a new robust tax system called the North Carolina State Unemployment Insurance Tax System (NCSUITS).

# Tax Operations

DES is responsible for collecting state unemployment insurance taxes and wage information from liable employers on a quarterly or annual basis.

DES continues to demonstrate that it implements the necessary controls to provide excellent service to North Carolina’s employers. The DES Tax Unit passed all requirements for all 13 functions of the USDOL’s annual Tax Performance System program reviews in 2022 and 12 out of 13 functions in 2023 and 2024.

The taxes that DES collects from employers go into the state’s UI Trust Fund to be used to pay state unemployment benefits.

## UI Tax Contributions

Program Year	2021	2022	2023	2024
Tax Collected	\$361,714,203.56*	\$635,767,739.09	\$706,876,967.66	\$736,024,056.69
Calendar Year	2020	2021	2022	2023
Number of Employers	244,595	266,017	294,683	311,337

\*The COVID-19 Recovery Act passed by the N.C. General Assembly (Session Law 2020-3) provided a tax credit to employers for 2020. The effect on taxes collected appears in Program Year 2021.

## Audit Activity

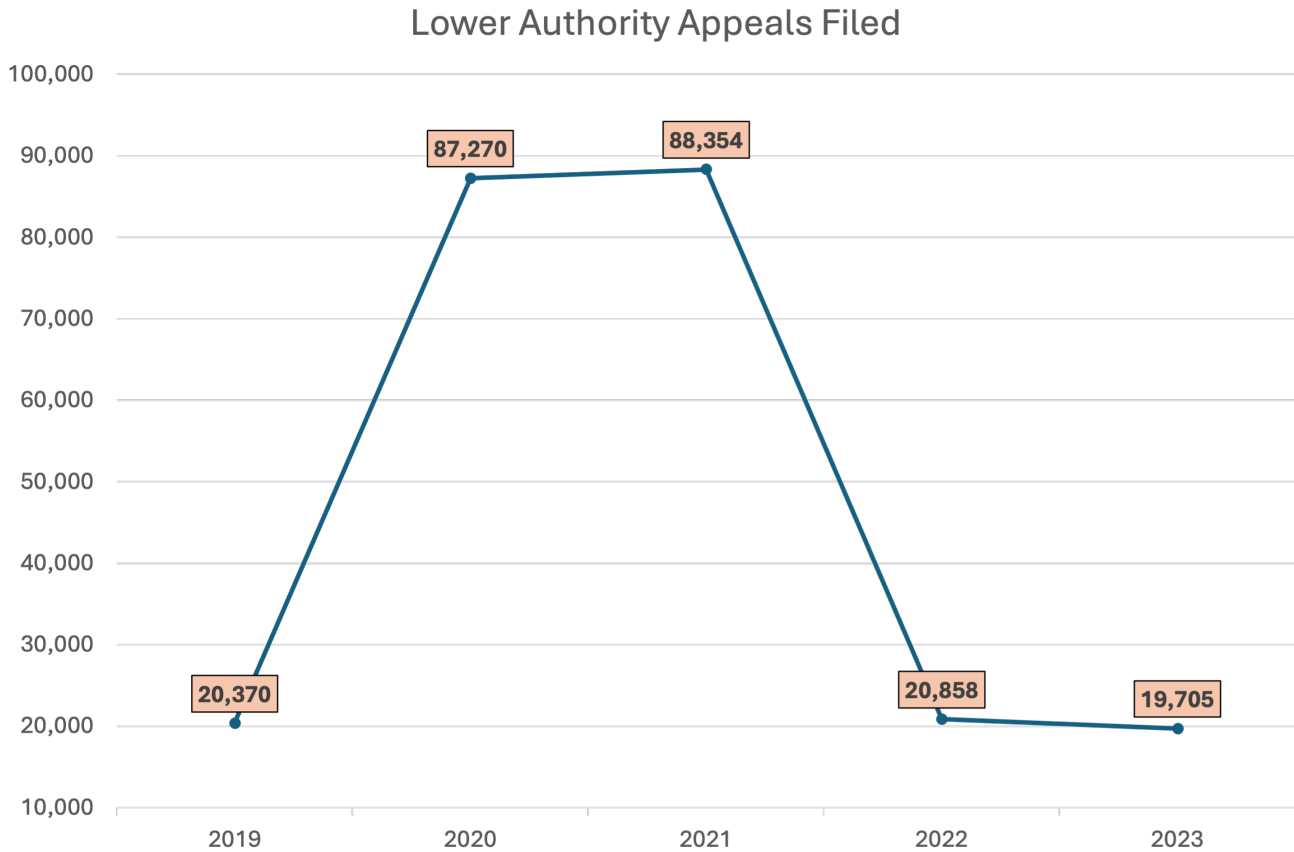
DES performs tax audits through random selection of employer records to ensure the accuracy of the tax and wage information that is reported to DES. The tax audit process may reveal understated or overstated liabilities, resulting in the collection of additional funds from employers or the issuance of refunds to employers.

Calendar Year	2020	2021	2022	2023
Audits Conducted	2,193	3,909	4,452	4,292
Wages Audited	\$3.9B	\$6.2B	\$7.9B	\$8.5B
Underreported Wages Added	\$61M	\$152M	\$170M	\$259M
Misclassified Workers Identified	5,288	11,545	12,449	16,387

In 2017, DES implemented the use of a more modernized system designed to improve the quality of tax audits. This system has allowed for more efficiencies in the auditing process, while also ensuring the security of the data being collected and reviewed. In large part due to DES’s tax system modernization, the tax audit function continued to pass annual Tax Performance System reviews and surpass USDOL core measures in 2022 and 2023.

# Lower Authority Appeals

Claimants or employers who wish to contest a determination made by DES may file a first-level, lower authority appeal. Lower authority appeals are heard by appeals referees, who are required by state law to be licensed attorneys. Appeals referees issue decisions that contain findings of fact and conclusions of law.



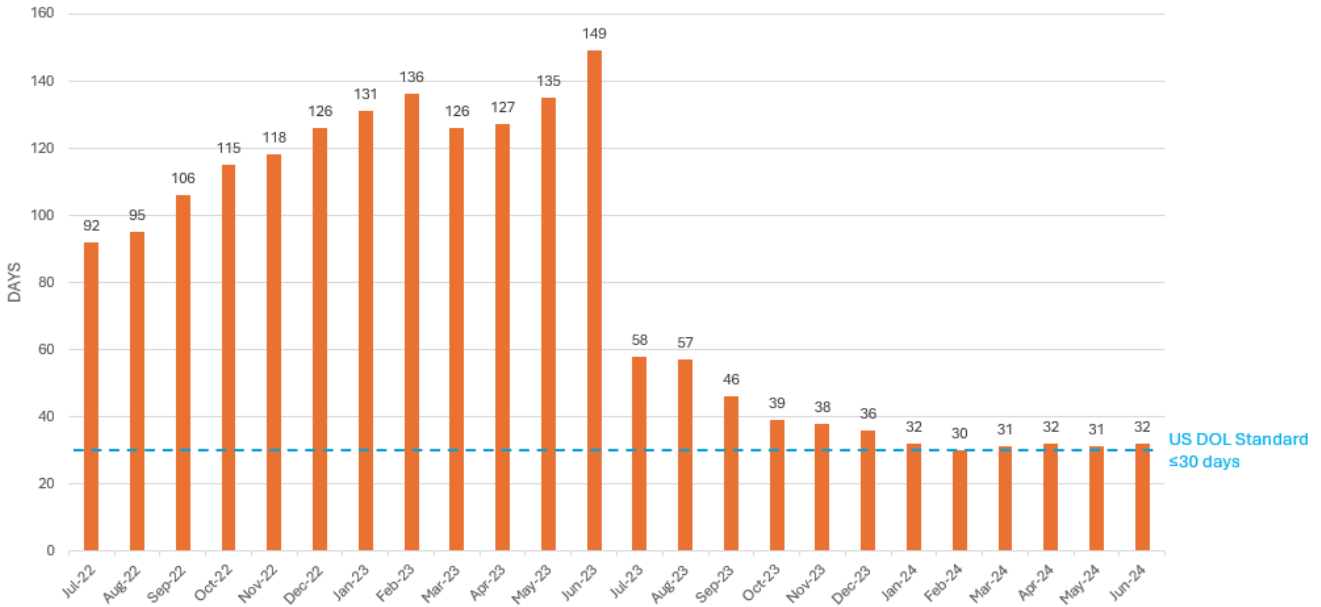
## Average Age and Time Lapse

The USDOL has established several measures to ensure timely review of lower authority appeals, stating that the average age of appeals should be 30 days or less as well as tracking how many cases are decided within 30 and 45 days.

Lower Authority resolved 18,714 appeals, or an average of 1,560 cases each month, from July 1, 2022, to June 30, 2023, following the pandemic. Lower Authority resolved 18,682 appeals, or an average of 1,557 cases each month, from July 1, 2023, to June 30, 2024. For the 12 months from July 1, 2023, to June 30, 2024, DES achieved an average age for pending appeals of 38.5 days.

While DES lower authority appeals continues to work on improving timeliness, the unit performs better than the national average and compared to states in the southeastern region. At the end of FY2024 (June 2024), North Carolina had an average case aging of 32 days, compared to the national average of 223 days and 487 days for states in our region.

### Lower Authority Average Age of Pending Cases in Days



Moving past the pandemic, DES has maintained its long record of high performance in terms of the quality of its appeals decisions. The USDOL standard is to have at least 80% of appeals cases receiving a quality score of at least 85 points. The Division has surpassed the federal standard for the past five consecutive quarters as shown below.

### Quality of Lower Authority Appeals

USDOL Standard	Q2 2023	Q3 2023	Q4 2023	Q1 2024	Q2 2024
≥80% with scores of at least 85/100	98%	100%	100%	100%	100%

# Higher Authority Appeals

If a claimant or employer disagrees with the lower authority appeals decision, they may file a higher authority appeal with the North Carolina Board of Review. The Board of Review is an independent, quasi-judicial body made up of three members appointed by the North Carolina Governor and confirmed by the N.C. General Assembly.

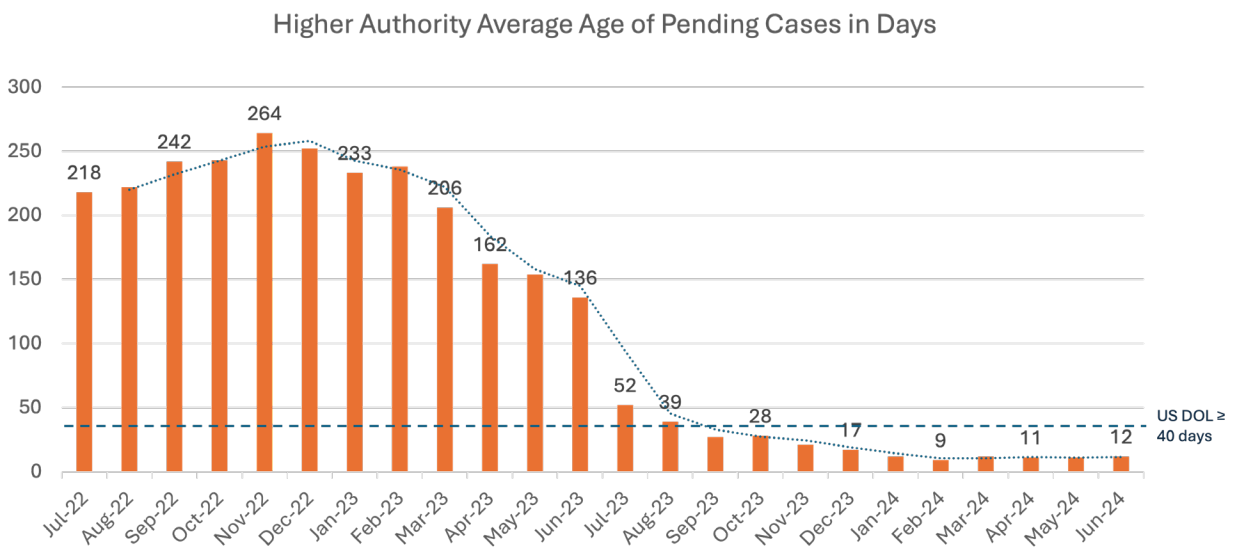
DES Higher Authority includes the Board of Review and the Legal Services Section. Together, they look at appeals from claims cases decided by Appeals referees, with the Board making the final decision.

## Average Age and Time Lapse

The USDOL has established several measures to ensure timely review of higher authority appeals, stating that states should make decisions in 40 days as well as tracking how many cases are decided within 45 or 75 days.

Higher Authority handled 4,767 cases, or an average of 397 cases each month, from July 1, 2022, to June 30, 2023, following the pandemic. An average decision time of 21 days was achieved from July 1, 2023, to June 30, 2024. Precisely 94.8% of cases were resolved in 45 days and 97.1% in 75 days. From January to June 2024, the average decision time dropped to 11 days, with 98.9% of cases resolved in 45 days and 99.8% in 75 days.

From December 2023 through August 2024, North Carolina ranked as the top state in the United States for average decision time among the 10 most populous states. North Carolina had an average age of 13 days, compared to the national average of 166 days and 83 days for the largest 10 states.



<sup>1</sup> USDOL has not published its figures for September 2024 as of October 29, 2024.

# Unemployment Benefits Program Activity

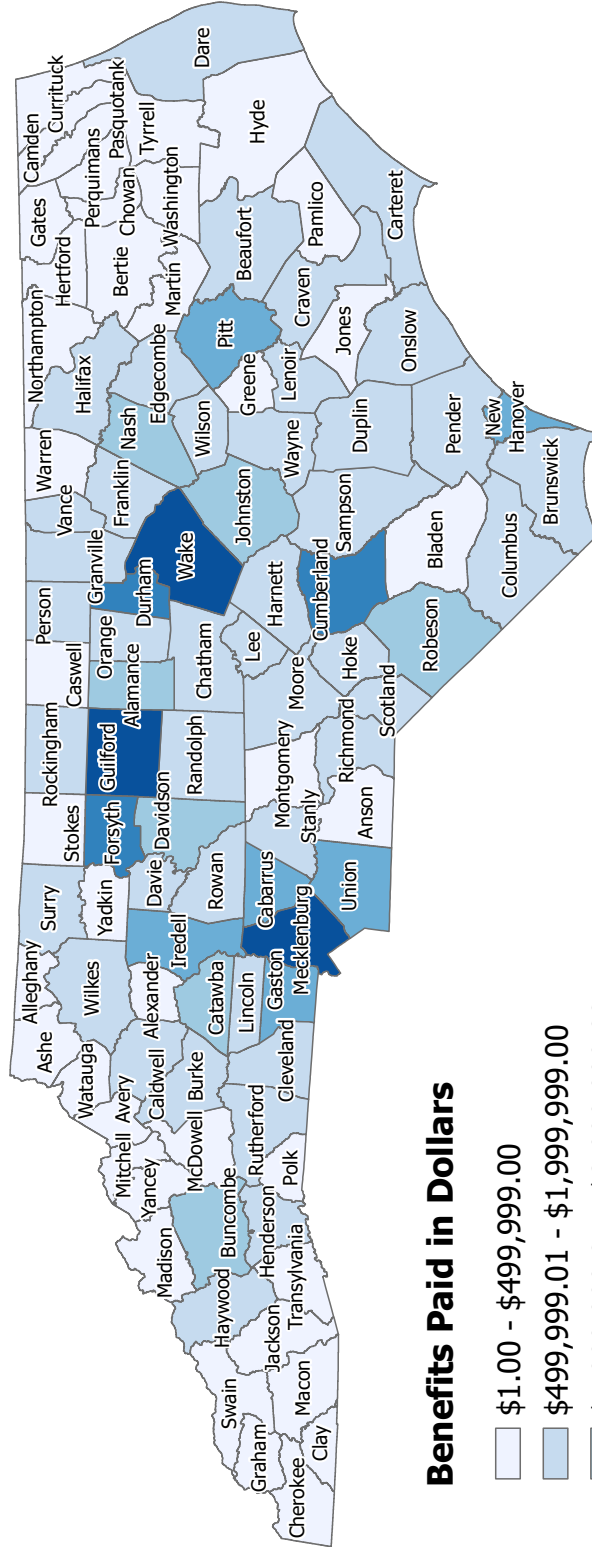
The following is a summary of unemployment benefits paid during program years 2023 and 2024. Federal programs include all temporary, pandemic and disaster assistance programs in place during the program years.

<b>Program Year 2023 (July 1, 2022-June 30, 2023)</b>	
<b>All Unemployment Benefits (State and Federal)</b>	
Total Paid (all programs)	\$197,734,869.43
Number of Individuals Paid	86,031
<b>State Unemployment Insurance Benefits Only</b>	
Total Paid	\$179,699,395.61
Number of individuals Paid	77,755
Number of Benefit Weeks Paid	592,751
Minimum/Maximum Weekly Benefit Amount	\$15/\$350
Average Weekly Benefit Amount	\$286

<b>Program Year 2023 (July 1, 2023-June 30, 2024)</b>	
<b>All Unemployment Benefits (State and Federal)</b>	
Total Paid (all programs)	\$214,060,784.06
Number of Individuals Paid	90,048
<b>State Unemployment Insurance Benefits Only</b>	
Total Paid	\$209,949,249.82
Number of individuals Paid	87,462
Number of Benefit Weeks Paid	703,461
Minimum/Maximum Weekly Benefit Amount	\$15/\$350
Average Weekly Benefit Amount	\$300

# Unemployment Benefits Paid by County (All Programs)

## July 2022 - June 2023



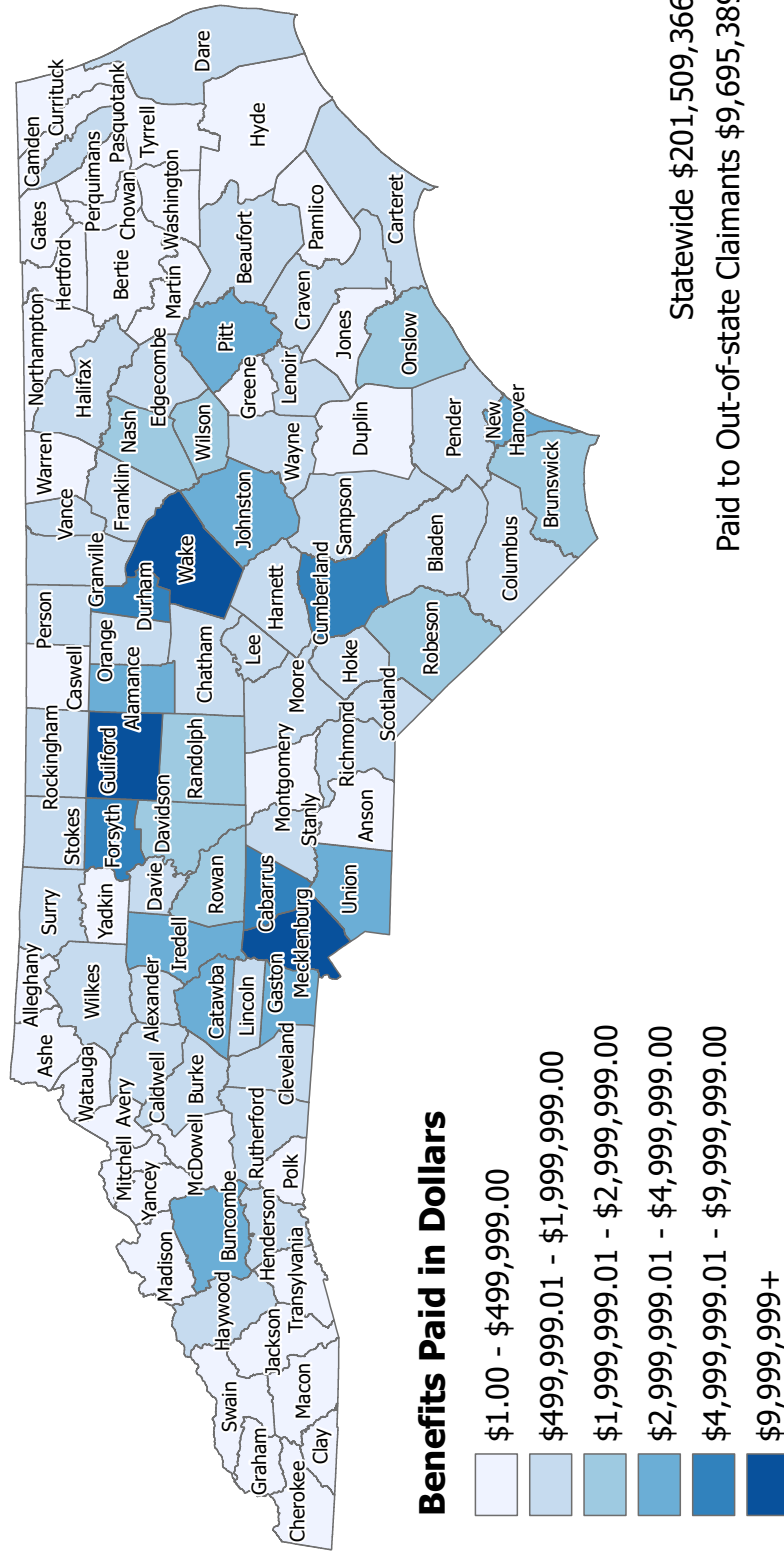
### Benefits Paid in Dollars

- \$1.00 - \$499,999.00
- \$499,999.01 - \$1,999,999.00
- \$1,999,999.01 - \$2,999,999.00
- \$2,999,999.01 - \$4,999,999.00
- \$4,999,999.01 - \$9,999,999.00
- \$9,999,999.01+

Statewide \$171,613,840  
 Paid to Out-of-state Claimants \$9,369,751

County data does not sum to statewide total.  
 Source: North Carolina Department of Commerce, Division of Employment Security  
 Prepared by North Carolina Department of Commerce, Labor and Economic Analysis Division, August 2024

# Unemployment Benefits Paid by County (All Programs) July 2023 - June 2024



County data does not sum to statewide total.  
Source: North Carolina Department of Commerce, Division of Employment Security  
Prepared by North Carolina Department of Commerce, Labor and Economic Analysis Division, August 2024



# Unemployment Benefit Operations

DES is responsible for taking applications for unemployment benefits, determining whether the claimant is eligible for benefits, and making benefit payments to eligible claimants under applicable state and federal law.

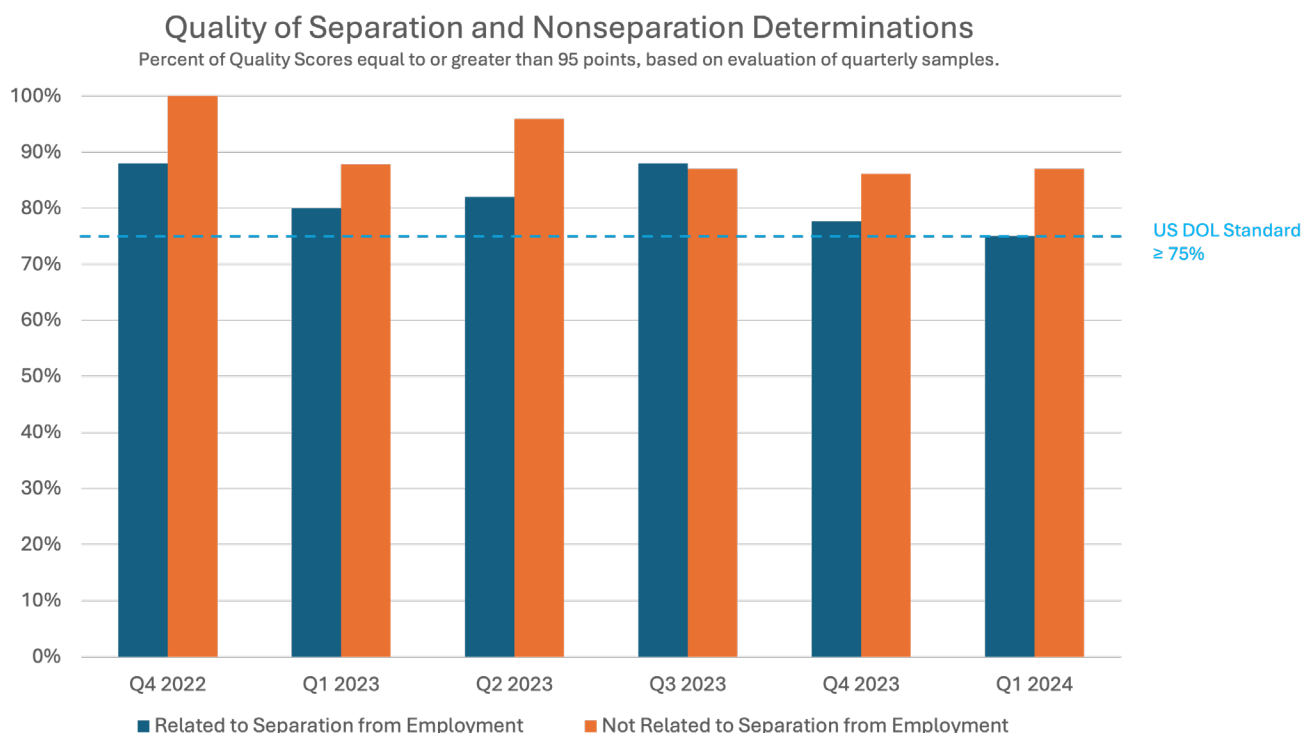
The USDOL measures states' performance in areas such as the quality of their eligibility determinations and timeliness of first payments for state unemployment benefits. States aim to meet federal standards while acting in accordance with the law and policies that govern the benefits program.

## Quality of Eligibility Determinations

Separation determinations are eligibility decisions related to the reason the claimant became separated from employment (laid off, discharged, etc.). Nonseparation determinations are decisions related to other eligibility factors, such as whether the claimant was able and available for work and actively seeking work.

The quality of separation and nonseparation determinations of eligibility is evaluated quarterly by scoring a sample of claims. The USDOL standard is to have 75% or more of the sample claims receiving a quality score of least 95 points.

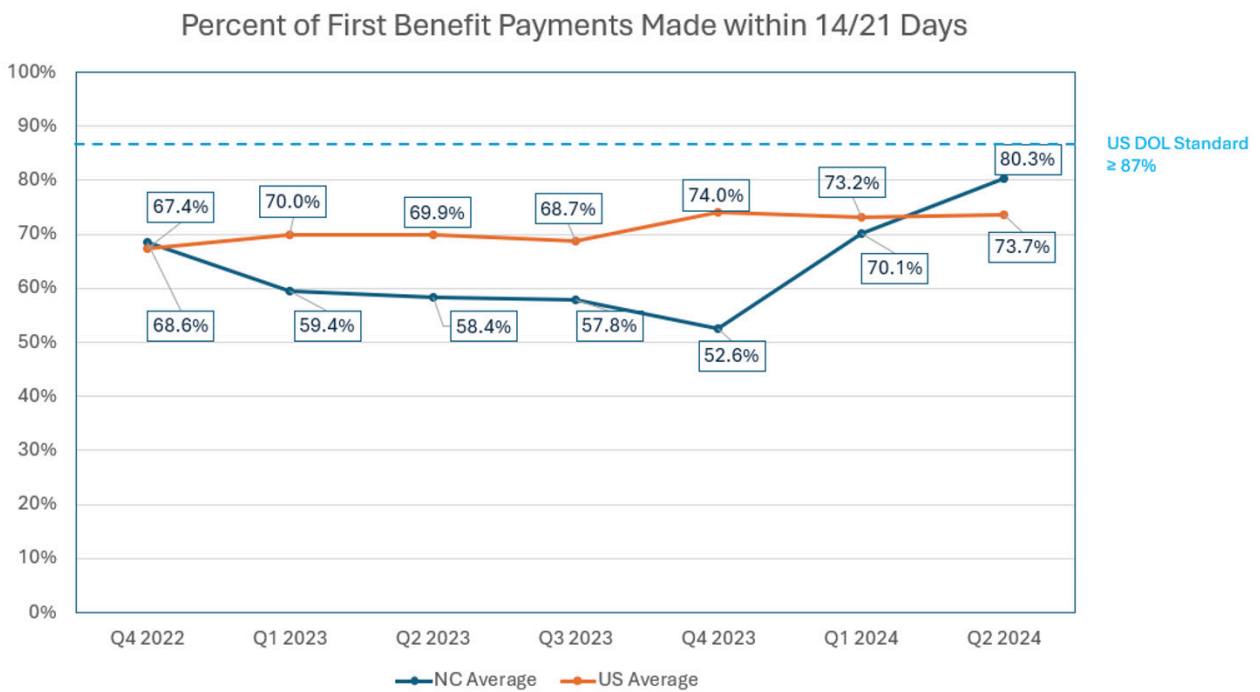
DES's Adjudication Section has had passing quality scores from Q4 2022 through Q1 2024.



## Timeliness of First Payments

The USDOL also measures the time it takes for states to pay claimants for their first payable week of state unemployment benefits. For claims with a waiting week, the USDOL standard is to make at least 87% of first payments within 14 days of the week being filed. For claims without a waiting week, the standard is to make at least 87% of first payments within 21 days.

DES continues to focus on making timely benefit payments and made significant improvements in this area in 2024, surpassing the United States average for two consecutive quarters. DES will continue to analyze its business processes, provide additional staff training, and implement technological solutions to further improve timeliness.

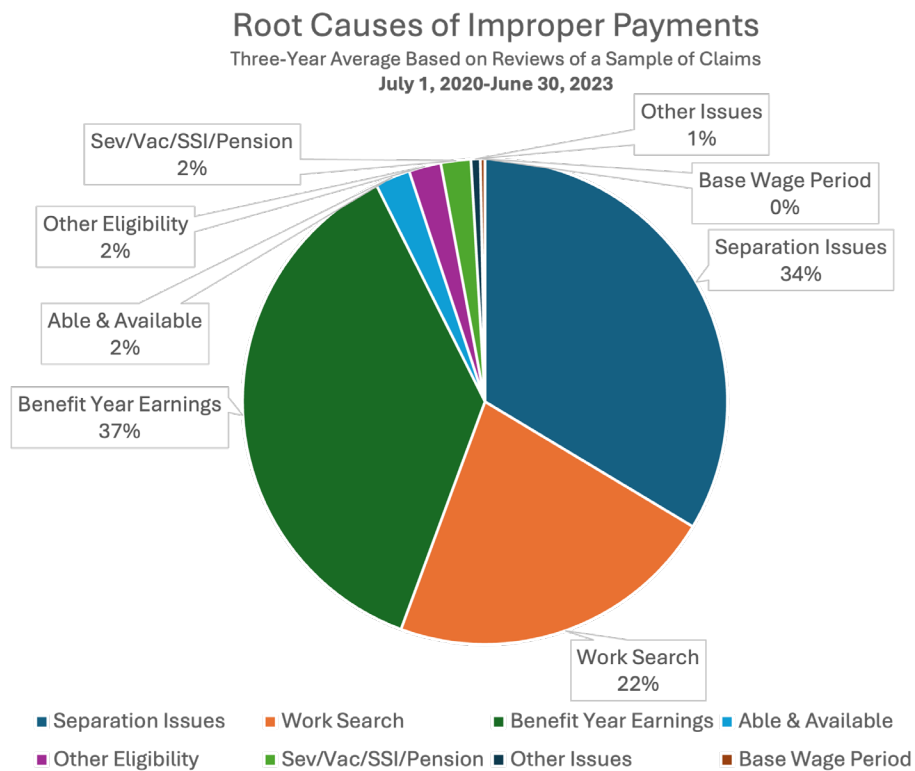


# Benefits Integrity

DES is committed to reducing waste, fraud and abuse in the unemployment benefits system by preventing improper payments and recovering overpaid funds.

An overpayment occurs when a person is paid unemployment benefits that they were not entitled to receive. Overpayments are established when DES receives information that changes the initial approval of a claimant’s eligibility, or when it is found that a claimant did not fulfill their requirements for receiving benefits.

The top three causes of improper payments during the last three years are issues relating to claimants’ earnings, their separation from employment, and their fulfillment of work search requirements. To determine these root causes, samples of claims are reviewed under USDOL’s guidelines through DES’s Benefits Accuracy Measurement program.



In 2023, DES strengthened its partnerships with the National Association of State Workforce Agencies (NASWA), SAS Institute Inc., and N.C. Government Data Analytics Center (GDAC) to identify opportunities and develop strategies to reduce improper payments. Many of those, and other strategies, have been implemented to address the three leading causes of improper payments.

- **Benefit Year Earnings** improper payments occur when claimants continue to file for benefits after they return to work and do not report their earnings to DES. Daily and weekly crossmatches with the State Directory of New Hires and National Directory of New Hires detect potential overpayments and help prevent improper payment. DES works closely with employers to confirm earnings to address and prevent improper payments.

To help employers complete Wage Audit Notices (WAN), DES developed a step-by-step instruction guide and video which focuses on providing timely and accurate responses. These educational materials were available on the website in 2023. The video has nearly 10,000 views.

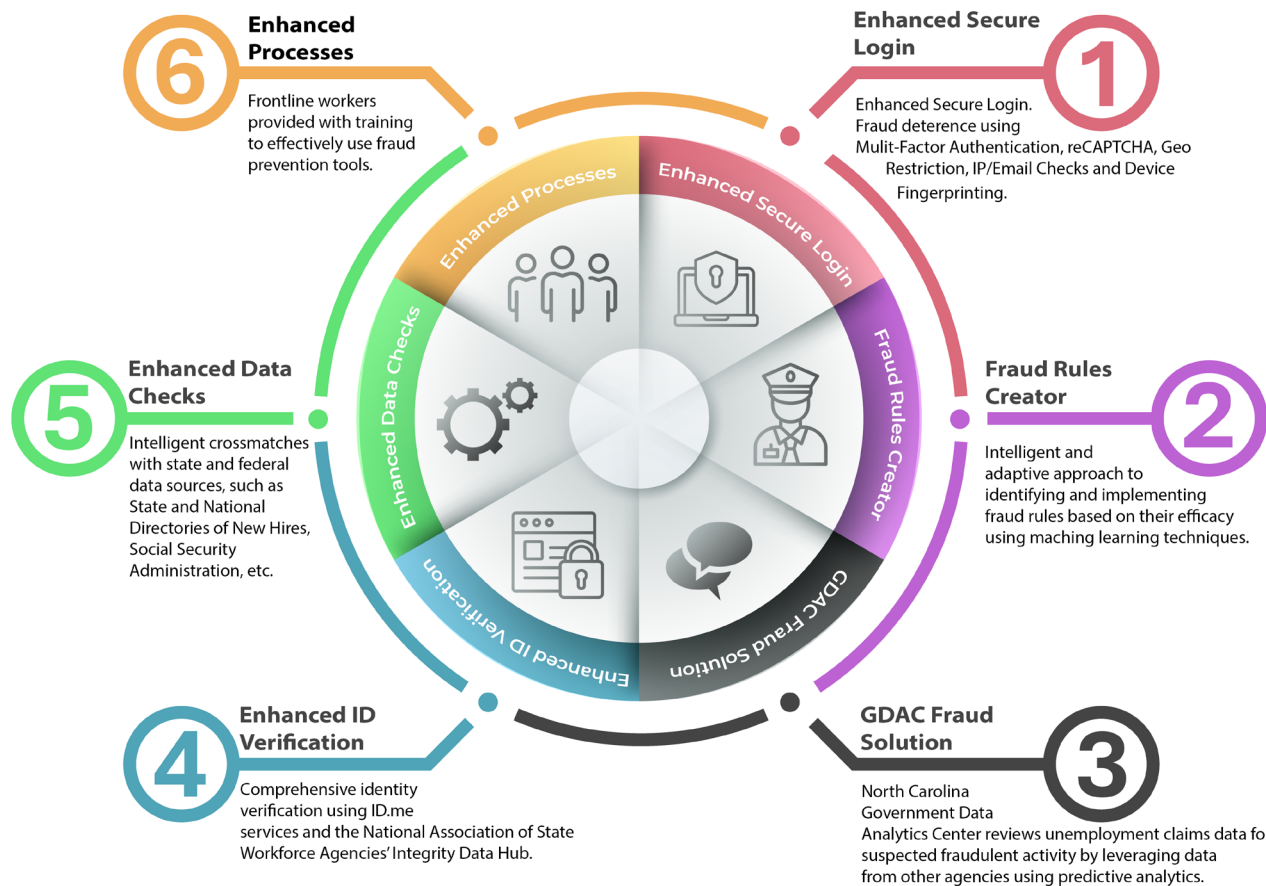
- **Separation Issues** improper payments occur when a review finds that a claim includes inaccurate information about the claimant’s separation from employment. This new information may result in a denial or overpayment of benefits. DES is leveraging the New Hire information provided by employers to identify potential separation issues. This process has been automated to allow quicker response time and reduce improper payment.
- **Work Search** improper payments occur when it is found that the claimant did not fulfill their requirement of actively seeking work while filing for benefits. Under North Carolina state law, claimants must make at least three job contacts with potential employers each week and keep a record of their work search activities. Claimants fail to adhere for a variety of reasons, including a lack of understanding of work search requirements or inadequate documentation of work search activities.

As part of the equitable access efforts described in the Major Initiatives section of this report, DES has recently piloted an online work search repository in two North Carolina counties that will allow claimants to easily create and store electronic work search records to meet the state’s weekly requirements. That initiative went live in the fall of 2024. This repository will include automation to assess the completeness of work search records, which are assessed during Reemployment Services and Eligibility Assessment (RESEA) appointments as well as during the division’s Benefits Accuracy Measurement review process.

Since fall of 2020, DES has continually expanded its integrity efforts to further improve fraud detection and the recovery of improperly paid funds. Overpayments are recovered mostly through direct claimant payments, by offsetting benefits, and by intercepting state and federal tax refunds.

**Use of Data Analytics to Detect and Prevent Fraud**

1	Fraud deterrence using Multi-Factor Authentication, reCAPTCHA, Geo Restriction, IP/Email Checks and Device Fingerprinting
2	Intelligent and adaptive approach to identifying and implementing fraud rules based on their efficacy using machine learning techniques
3	North Carolina Government Data Analytics Center reviews unemployment claims data for suspected fraudulent activity by leveraging data from other agencies using predictive analytics
4	Comprehensive identity verification using ID.me, the United States Postal Service, and the National Association of State Workforce Agencies' Integrity Data Hub
5	Intelligent crossmatches with state and federal data sources, such as State and National Directories of New Hires, Social Security Administration, etc.
6	Frontline workers provided with training to effectively use fraud prevention tools



In 2023, DES refined its fraud solution to be more proactive and provide improved access for claimants. Our partnerships were strengthened, and our system fortified. In coordination with our partners, DES employs an effective, comprehensive, and equitable solution.

- GDAC provides real time alerts for monitoring the fraud environment.
- More than 100 fraud rule checks are maintained in the benefits system.
- Fraud rules and identity verification referrals are flexible based on business requirements.
- A knowledge-based verification process, in partnership with GDAC, allows a seamless identity check as a first line of defense.
- The process helps DES focus on claims with a high probability of fraud, so most legitimate claimants are not burdened with additional verification checks.
- Claimants who are required to verify their identity have three convenient options: self-service or assisted online with ID.me, and in-person with the United States Postal Service.

With these multi-layered solutions and lessons learned during the COVID-19 pandemic, North Carolina and states across the country are better prepared to fight unemployment fraud in future economic downturns, natural disasters or emergency events.

# Major Initiatives

# Tax System Modernization

In April 2022, DES kicked off the process of modernizing the state’s 30-year-old unemployment insurance tax system. This is the system used by employers, third-party administrators and DES staff to administer the collection of employer wage records and tax payments. Until November 2023, when the new system was implemented, DES operated three outdated systems for tax administration, posing challenges in maintenance and updates.

To address these issues, DES secured funding from the USDOL to modernize its tax administration and collection systems. The key goals include improving UI Tax program quality, accountability, and performance integrity; providing self-service capabilities to employers and agents; enhancing work item management; using a business rules engine to quickly implement legislative changes; improving wage and payment processing capabilities; and transitioning to paperless processes.



Comprehensive training materials and sessions were created to train DES’s staff over a span of four weeks. A practice environment (sandbox) was also established to allow staff to receive hands-on experience as functionalities were modified. Additionally, a unique logo was created for NCSUITS to enhance brand recognition. Various resources, such as guidance documents, instructional videos, newsletter articles, social media messages, and tips, were distributed across digital and print platforms, totaling at least five channels. This comprehensive communication and training strategy, along with a detailed application framework, facilitated the system’s introduction.

The implementation phase was comprised of comprehensive testing, encompassing around 3,500 functional test cases. A crucial aspect of this process was the conversion of data from the legacy platform to the modernized system. To ensure accuracy, a data conversion plan was devised, meticulously mapping data, applying transformations, and validating routines. Another critical component involved the development of interfaces with state, federal, and third-party entities. Approximately 90 interfaces were constructed, with rigorous testing conducted in close collaboration with our partners throughout the project phase.

The project achieved completion within an impressive timeframe of approximately 14 months, starting from the contract award in September 2022 to the go-live milestone in November 2023. The launch of the North Carolina State Unemployment Insurance Tax System (NCSUITS) represents a significant milestone in North Carolina’s UI tax system modernization efforts, benefiting nearly 300,000 employers and agents statewide.

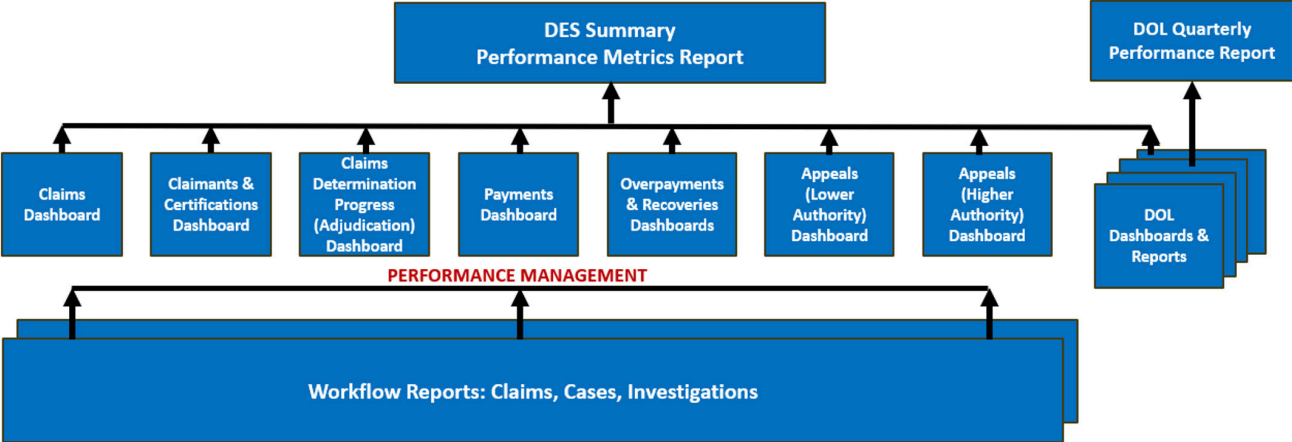
# Performance Metrics and Dashboards

During and prior to the pandemic, DES did not have an efficient way to access critical claimant data and agency performance metrics.

Over the past two-and-a-half years, DES has worked to build out a comprehensive and robust data dashboard system, consisting of more than 90 data dashboards, so that agency units can easily access information that is critical to their daily functions, unit metrics and effectiveness. It has also allowed each business unit to better manage the flow of claims and has empowered its teams to make important departmental decisions.

Additionally, it has allowed DES to identify issues and see arising trends—such as a major economic downturn and upticks in unemployment claims. For the first time ever, reporting of DES’s claims processing data and performance status is almost fully automated, supporting a significant advance in the Division’s ability to understand and manage its performance on a real time basis.

The chart below presents the structure of the **DES Performance Metrics Reporting System**.





# Readiness

Throughout the past two years, DES has built a business readiness plan to better respond to significant accelerated increases in claim filings.

Drawing on lessons learned from the COVID-19 pandemic and building upon DES's Disaster Unemployment Assistance procedures, the readiness plan will help the agency respond faster and more efficiently in areas such as staffing, training, equipment, network access, communications and vendor coordination.

DES readiness processes and procedures include:

- Monitoring the U.S. economy.
- Assessing DES unit readiness quarterly.
- Maintaining escalation response steps/resources.
- Initiating/managing readiness improvement projects.

The process uses a defined set of criteria and metrics to predict unit readiness in the event of a natural or economic disaster having a considerable impact on employment in our state. Each team receives a numerical rating (on a scale of 5 – 1) that determines the actions needed. As part of its readiness plan, DES provides actionable tasks each unit can take to fill any operational gaps.

This readiness plan will provide DES leadership with a regularly updated bottom-up assessment of DES readiness, as well as a platform for all units to regularly review and work on their readiness. Additionally, this plan and process:

- Supports each team and unit defining its readiness elements and status.
- Provides platform and reason for explicit assessment and identification of areas for improvement.
- Establishes a DES-wide readiness focus as a fundamental element of DES management.
- Provides each team with tools to assess its readiness state and ways to maintain or improve it.

As of the end of Q2 2024, monitoring of regional and national economic conditions was ongoing, with monthly readiness updates provided to DES leadership. Initial readiness assessments by all 10 DES business and service units including their twenty-five teams were underway. In Q3 2024, DES conducted its initial quarterly readiness review with all units reviewing their status. This review established a formal assessment of DES readiness, providing clear visibility of readiness strengths and areas for improvement.

# Rapid Response Efforts

Rapid Response is an early intervention program that helps employers and workers facing layoffs, closures, and other sensitive business actions. After a business files a WARN notice (Worker Adjustment and Retraining Notification) with the state, a Rapid Response team is deployed to help that company and its affected workers.

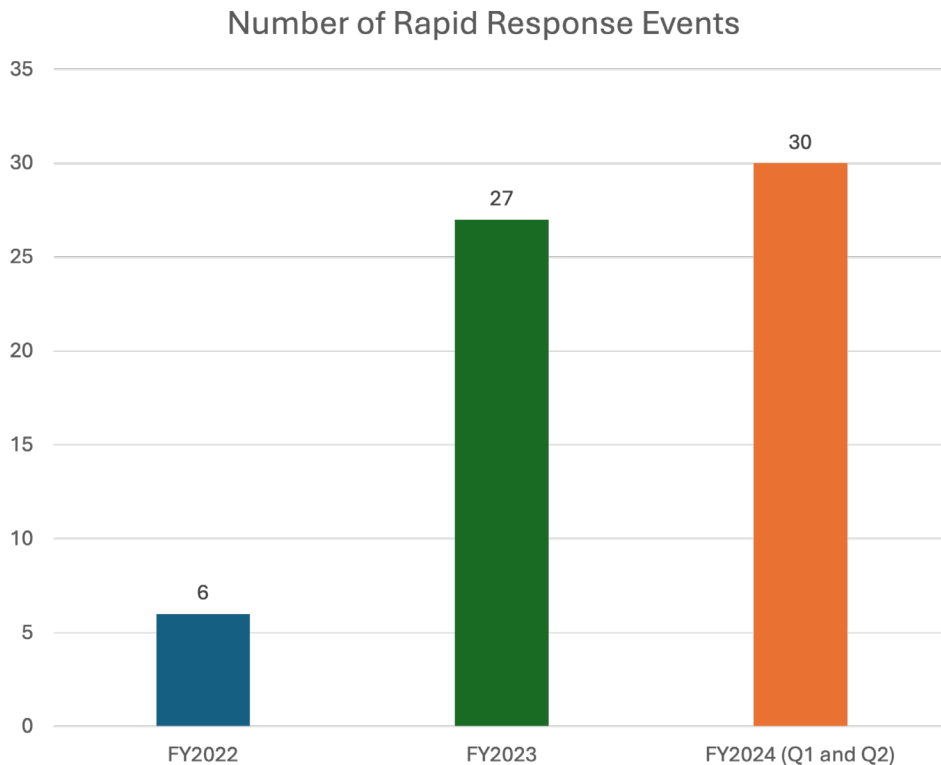
The data below shows the number of WARN notices employers have filed for each fiscal year, along with the number of employees impacted and number of counties.

	WARN Notices Filed	Employees Impacted	Number of Counties
2022	42	4,204	16
2023	104	9,060	32
2024*	64	5,998	26

\*Data runs through 10/25/2024.

As of October 25, 2024, there were 64 WARN Notices filed in a total of 27 counties and 6,402 total employees impacted.

The number of Rapid Response events varies widely from year to year and is dependent on a multitude of factors. Below shows the number of events DES participated in for FY2022, FY2023, and FY2024 (through Q2 2024).



# Fraud Prevention and Detection

## Wage and Earnings Fraud

One advancement in DES's fraud system enhancements over the past two years has been the integration of conference scheduling into the claims filing system. This enables the DES fraud team to seamlessly arrange meetings with claimants to obtain further details regarding unreported wages. This was an important advancement for the agency, as it allows DES to:

- Track conference scheduling and claimant participation rates.
- Collect data on conference call attendance to inform necessary follow-up actions.
- Automate conference scheduling.
- Capture re-schedule and attendance rates. This helps offer insights into claimant behavior which can help boost participation, improve outcomes, and reduce the number of appeals.

## Identity Theft and Imposter Fraud

At the beginning of 2024, DES's registration alert system was upgraded to incorporate a wider range of criteria and to flag suspicious submissions in real time. This security measure prevents suspicious users from filing until they complete identity verification. Previously, individuals could navigate the entire filing process without these safeguards, leading to potential paperwork being sent to victims and employers. In addition, DES implemented identity verification as part of its fraud prevention strategy, using both digital and in-person methods. ID.me serves as the agency's digital partner, while the U.S. Postal Service (USPS), facilitated by the USDOL, provides the in-person option. North Carolina has been a pioneer in adopting this in-person approach and actively advocates for its implementation in other states.

The Fraud Unit has also collaborated with the DES Communication Team to simplify language on the DES website, ensuring clarity in definitions of fraud and the identity verification process, as well as producing a video outlining the step-by-step identity verification process through USPS.

# Equitable Access

In 2023, the USDOL awarded DES with \$6.8 million in grant funding to promote equitable access to the unemployment program. This work must be completed in 2025. Through this funding, DES will address disparities in the delivery of benefits across various demographic groups through five grant projects:

- Equity analytics dashboard
- Behavioral insights research
- Multi-language support
- Claimant messaging
- Ombudsmen and outreach

Some major successes from the equitable access grant have included:

## **Behavioral Insights Study**

NASWA contracted with Deloitte to review DES's most used communications for usability improvements and plain language. Deloitte held focus groups with current and former claimants to provide insight into their recommendations. Deloitte provided a final report in April 2024. DES, with the use of two communication specialists who were hired through another Equity Grant project, are working through the feasibility of Deloitte's suggestions with DES subject matter experts, the Legal unit, and executive management to determine how to implement their guidance.

## **Initial Claims Virtual Assistant (ChatBot)**

This is a joint project between North Carolina and South Carolina who contracted with Ernst & Young to develop a robust chatbot to assist claimants through the initial claim filing process. In the latter half of 2024, decisions were made about the generative AI functionality and conversations that will be programmed. The real-time ChatBot will help answer the most asked questions about the unemployment benefits claim application process and directs claimants to helpful pages on the DES website.

## **Work Search Repository**

North Carolina law requires claimants to conduct at least three work searches each week and save their work search records for five years as one requirement to receive unemployment. The work search repository function will require claimants to provide work search results electronically before accessing their weekly certification screens. DES worked internally to change software prompts in the claimant unemployment system, MyNCUIBenefits. The functionality was initially launched on September 8, 2024, in two North Carolina counties (Wake and Rutherford). However, the functionality was suspended in Rutherford County due to Hurricane Helene. Results of the initial launch will determine the timing of when the work search functionality is launched statewide.

## Claimant Messaging

This project included two components to deliver targeted messaging to claimants to ensure their claim and payments are processed in a timely manner. The first project completed was DES's ability to send mobile alerts to claimants who need to take specific action(s) (e.g., filing a weekly certification). The second, as noted above, is the development of a content-driven, automated ChatBot, which provides people with real-time assistance while filing their initial claim.

## Ombudsmen and Outreach

The Ombudsman project aims to enhance messaging effectiveness, resolve issues, and foster equitable access to unemployment benefits for underserved populations and communities. In late 2023, DES hired two time-limited Ombudsmen to develop communication channels and issue resolution strategies in Edgecombe, Halifax, Nash, Pitt, Wilson and Wake counties.

The Ombudsmen initiated their work by:

- Establishing communication with local partners such as NCWorks, community colleges, non-profits, parent-teacher associations, and education foundations.
- Participating in community outreach events to identify gaps and needs.
- Collaborating with the Communications Team to improve UI educational materials, focusing on plain language and Spanish translations.
- Attending the Governor's Advisory Council for Hispanic and Latino Affairs meeting in February 2024 to gather information for new partnerships.
- Contacting 35 organizations and stakeholders across the three counties in Q1 2024, including those with statewide reach.

In Q2 2024, the Ombudsmen continued to strengthen relationships with existing contacts and established new connections with organizations serving underserved populations. Key milestones included:

- Engaging with nearly 130 organizations within the pilot program counties.
- Maintaining contact with 95 organizations from the previous quarter and reaching out to 34 new organizations via email, phone, virtual meetings, and in-person visits.
- Attending 50 community events.
- Collaborating with DES's two communication specialists to review outreach materials, the DES website, and unemployment insurance processes, incorporating feedback from the community.

The focus for subsequent quarters is to continue maintaining those relationships while also focusing on securing new engagement opportunities with additional agencies.

# Tiger Team Initiative

In 2023, DES was granted \$4.4 million for seven projects that improve its unemployment insurance systems that focus on the three pillars of the American Rescue Plan Act (ARPA): Equitable Access; Fraud Prevention, Detection, and Recovery; and Payment Timeliness and Backlog Reduction.

DES is required to complete this work by December 31, 2025. The projects are as follows:

## Project 1: Enhanced Appeals Systems

- Purpose: To address any gaps in the current appeals application in the claimant filing system (now called MyNCUIBenefits).
- Benefits: Streamline the process and reduce errors, reduce call center inquiries and improve the customer experience.

Moreover, DES anticipates that the newly implemented scheduling feature in the appeals enhancement project will considerably alleviate the administrative burden on the Appeals Unit's staff while streamlining the process for claimants.

## Project 2: Interactive Voice Recognition (IVR) Enhancements

- Purpose: To improve call center operations by enhancing DES's IVR system. The goal was for the system to validate the caller's identity before coming to the agent.
- Benefits: Reduce call handling times, improve call quality and integrity, and improve customer experience.

A significant milestone was achieved with the completion of the IVR system enhancement project in May 2024. The system is now capable of validating callers' identity information prior to routing them to an agent, and it is available in English and Spanish, with adaptations for individuals with speech impairments. DES continues to conduct data analysis to evaluate the system's effectiveness.

## Project 3: Equity Dashboard Governance and Usage

- Purpose: To establish a cross-functional team within DES that is responsible for providing equity and access initiatives.
- Benefits: Improved utility of Equity Analytics metric dashboard, improved methods for evaluating equitability and access improvements, improved ability to identify the areas and regions most in need of outreach and reduce barriers for customers.

The Equity Dashboard Governance and Usage project is scheduled for completion at the end of 2024, serving as a crucial tool for DES to identify existing inequities among unemployment insurance claimants. The governance and management process has been created and set up. Work will continue to confirm buy-in from the senior team. Additionally, analyses of equitable access and underlying data have been conducted. While an initial analysis framework was developed, it requires refinement to become an ongoing process.

#### **Project 4: Internal Fraud Controls**

- Purpose: To detect and triage potential internal fraud for investigation.
- Benefits: Protect claimant information, detect fraudulent schemes, and provide auditors with analysis and reports.

#### **Project 5: Robotic Process Automation (RPA)**

- Purpose: To implement RPA technology within DES.
- Benefits: Reduce process time for routine tasks, increase accuracy, and increase staff productivity.

#### **Project 6: Community Outreach/ Rapid Response**

- Purpose: To improve how we create, manage and maintain messaging and other communications materials.
- Benefits: Improved customer experience, increase community participation from diverse groups, reduce service barriers, and continued improvement in equity and accessibility programs.

#### **Project 7: Knowledge/Learning Management Systems & Communications Governance**

- Purpose: To implement a searchable knowledge management system or document repository to maintain UI resources.
- Benefits: Increase staff productivity and experience, increase access to informational resources, and increase training quality.

# RESEA Study

The overall objective of this four-year study, which began in February 2022, is to examine the impacts of the North Carolina Reemployment Services and Eligibility Assessment (RESEA) program on the amount of time the participant was unemployed and receiving unemployment benefits, as well as employment outcomes.

The study also will determine the program's effectiveness as well as identify which services have the highest impact on participants.

The RESEA program, which is done in conjunction with the N.C. Division of Workforce Solutions, provides unemployment claimants with intensive job search services designed to help them return to employment quickly, ending their need for unemployment benefits.

Currently, North Carolina operates the program statewide in all NCWorks Career Centers. In particular, the program requires claimants to attend a telephone meeting with trained NCWorks Career Center staff to:

- Undergo an eligibility review to assess if the claimant is compliant with unemployment work-search and other requirements; and
- Receive customized job-counseling services.

RESEA-eligible claimants will be randomly assigned into one of two groups during the study:

- **Control group:** No requirement to participate in RESEA. These claimants are exempted from the RESEA program and will not be assigned to RESEA at any point during their unemployment claim.
- **RESEA group:** These claimants are selected to participate in the RESEA program. These claimants are assigned to a RESEA meeting slot and are required to complete the program requirements.

The main takeaways from this study are yet to be determined as the study has been extended through February 2026.

The extension of the study will allow the agency to see impacts on employment rates and earnings for a longer period (six-to-eight quarters after program entry). It will also allow DES to see the impacts on unemployment insurance weeks and benefits amounts collected in the 12-month period after entry.

After February 2025, DES will use the findings from this study to determine ways to better serve its customers and the State of North Carolina.



# Communications and Outreach

Communication and outreach efforts significantly expanded during the 2022-2024 biennium. With a focus on post-pandemic projects to enhance customer experience and equitable access, the Communications Team dove into helping promote the division's efforts to connect with underserved populations, simplify its messaging, and position itself as the North Carolina leading resource for unemployment information.

As referenced in other sections, a detailed and complex communications strategy was essential to the successful implementation of several key DES projects. Most notably, the smooth transition to a modernized tax system required a comprehensive, multi-faceted approach to inform multiple internal and external audiences. The new system, called NCSUITS, required the creation of a unique logo to enhance brand recognition. Various resources, such as instructional videos, newsletter articles, webinars, social media messages, and tips, were distributed across digital and print platforms. DES hosted interactive webinar sessions with employers and employer representatives. The initiative ensured that North Carolina's employers and agents were not only knowledgeable about NCSUITS's capabilities but also equipped with the necessary resources to navigate through the new system effectively.

In tandem with the NCSUITS initiative, the Communications Team worked closely with other DES units to support key initiatives such as the pilot partnership project with USPS, the Behavioral Insights study and development of an Ombudsman outreach program.

The Communications Team also began an outreach strategy to reach both employer-related stakeholders as well as community-based stakeholders. This outreach strategy builds upon and expands the Ombudsmen's efforts to all of North Carolina – beyond the six pilot counties initially targeted through the Equitable Access Grant.

Based on staff expertise and information garnered through the Behavioral Insights study, the Communications Team launched an initiative to redo its existing digital and print materials to incorporate plain language and additional languages. Current efforts are focused on the DES website ([www.des.nc.gov](http://www.des.nc.gov)) and pre-existing informational videos, while also expanding its efforts to create new short-form videos and graphics for social media.

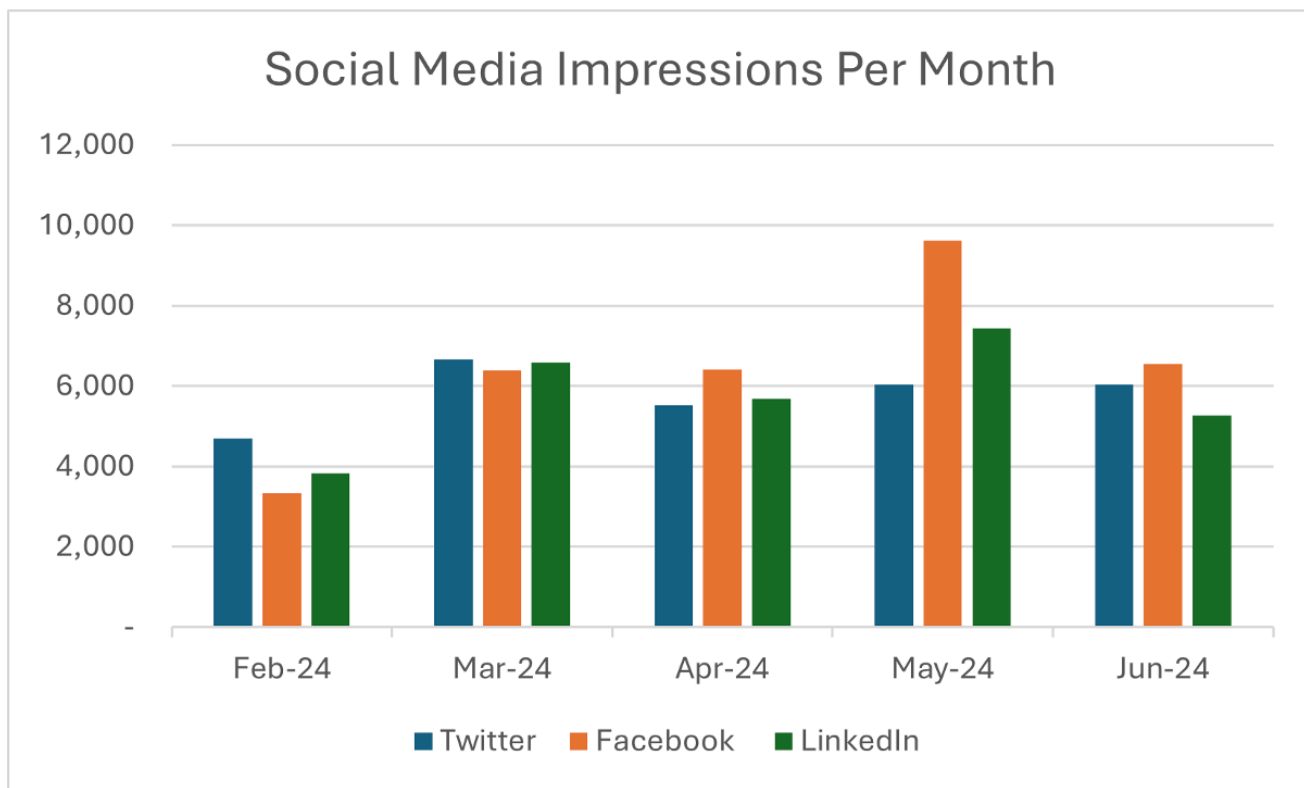
## Social Media

Along with supporting efforts such as these, in early 2024, the Communications Team added Facebook and LinkedIn to its social media channels, thereby expanding the Division's messaging capabilities to establish it as a leader in unemployment information. Prior to 2024, the agency only had a presence on social media platform, X, formally known as Twitter, which limited the agency's audience potential and therefore its reach. Use of the X platform has evolved from responsive activity during the pandemic to a more proactive approach, allowing DES to communicate some of its most timely and crucial information to claimants and employers in real time.

By adding Facebook and LinkedIn in February 2024, DES expanded its ability to reach various audiences and tailored its communication based on the platform. For example, more Spanish-speaking residents access information from Facebook, so DES has been able to not only expand its audience but also integrate bilingual messaging to reach its underserved populations. Not only have the three social media platforms provided an avenue to share helpful unemployment information, but they also served as valuable communication channels for Hurricane Helene and Disaster Unemployment Assistance information.

Using recommendations from the Deloitte study, the Communications Team has made a concerted effort to create easily digestible messages with engaging graphics in both English and Spanish to also better reach North Carolina’s traditionally underserved communities. In less than a year, there has been steady growth on these social channels and above-average organic engagement. Since the two platforms were added in early 2024, each has seen a consistent, significant increase in followers, impressions and reach.

A clear example of success is demonstrated by the increase in social media impressions, which is defined as the number of times social media content was seen. From February to June 2024, DES garnered over 61,000 impressions across Facebook and LinkedIn, averaging more than 12,000 additional impressions per month. In contrast, DES typically receives an average of 6,500 monthly impressions on Twitter alone.



# Conclusion

In the wake of the pandemic, DES has implemented critical measures to better navigate future economic downturns.

With the advancements outlined in this report, DES is now equipped with timely data dashboards, enhanced operational systems, and robust fraud prevention strategies. It has also established a foundation for equitable access initiatives, ensuring that underserved populations are informed about the claim filing process. These innovative improvements position DES to effectively address economic challenges our state may encounter.

This report highlights significant progress and achievements made over the past two years and demonstrates the agency's commitment to enhancing preparedness and readiness.