

Pandemic Response
Accountability Committee



KEY INSIGHTS: STATE PANDEMIC UNEMPLOYMENT INSURANCE PROGRAMS

December 16, 2021



States Faced Challenges Implementing Pandemic Unemployment Insurance Programs

This insights report, based on work completed by state audit offices coupled with work completed by the Department of Labor (DOL) Office of Inspector General (OIG), provides detailed information about the challenges faced by state workforce agencies (SWAs) to provide pandemic unemployment insurance benefits to individuals directly impacted by the pandemic.

The Pandemic Response Accountability Committee (PRAC) is responsible for conducting and coordinating oversight of pandemic-related funds and preventing and detecting fraud. To accomplish this, the PRAC has actively engaged with State Auditors regarding the oversight of federal pandemic funds provided to their state. The purpose of this insights report is to provide a contextual understanding of the cross-cutting challenges states faced within their unemployment insurance (UI) programs as well as highlight the substantial work that has been done by State Auditors to ensure their states' UI programs are functioning effectively. This report examines four common insights from UI findings identified across 16 State Auditor Offices:

- UI workloads surged for states.
- This claims surge exploited internal control weaknesses.
- Uncommon and varying fraud schemes began to occur as the amount of federal funding expanded.
- SWAs experienced information technology system challenges.

See Appendix B for a list of all 17 offices and the 44 reports reviewed for this report. The work completed for this insights report complies with the Council of the Inspectors General on Integrity and Efficiency's *Quality Standards for Federal Offices of Inspectors General*, which require that the work adheres to the professional standards of independence, due professional care, and quality assurance to ensure the accuracy of the information presented.

Federal Pandemic Unemployment Compensation

Under the Federal Pandemic Unemployment Compensation (FPUC) benefits program, individuals receiving state unemployment benefits automatically received additional benefits. The total additional benefits varied in amount and availability during the pandemic.

Pandemic Emergency Unemployment Compensation

The Pandemic Emergency Unemployment Compensation (PEUC) authorized additional federal UI benefits for individuals who exhausted state and federal UI benefits, and who were able, available, and actively seeking work, subject to COVID-19-related flexibilities.

Pandemic Unemployment Assistance

The CARES Act created Pandemic Unemployment Assistance (PUA) as a temporary program for individuals not otherwise eligible for UI benefits (e.g., self-employed, independent contractors, and gig economy workers). To be eligible, individuals certified that they met program requirements to qualify for the assistance.

Background

As a result of the COVID-19 pandemic, workers across the country experienced unprecedented levels of unemployment. According to the Bureau of Labor Statistics, by April 2020 the unemployment rate reached its peak at roughly 15 percent—the highest rate observed since data collection began in 1948. While the unemployment rate has dropped significantly, it remains higher than pre-pandemic levels. In response, the federal government created three unemployment programs through the Coronavirus Aid, Relief, and Economic Security (CARES) Act designed to support Americans experiencing joblessness: the FPUC, PEUC, and PUA programs (see side bar on the previous page for a description of these programs). These programs extended, expanded, or increased UI benefits, such as allowing people not typically eligible to access benefits, including self-employed workers, independent contractors, and gig workers.

Through these programs, the federal government has made almost \$716 billion in unemployment benefits available to states. On behalf of the federal government, SWAs have been tasked with implementing these pandemic UI programs. The SWAs experienced significant challenges to effectively provide their states with these benefits due to the large amount of federal funding for unemployment programs and the influx of unemployment claims which included an

increase in fraudulent activity committed by bad actors.

State Highlight | New York

The New York State Auditor found that the employment rate in the tourism industry dropped by a third and the arts/entertainment industry dropped by more than half during the pandemic.

Previous work completed by DOL OIG identified that UI programs generally have an improper payment rate of at least 10 percent. Based on this rate, in its May 2021 [report](#), **DOL OIG estimated the total amount of improper payments, including fraud, was at least \$39.2 billion as of January 2021.** In addition, the top pandemic challenges [report](#), issued by the PRAC in February 2021, identified specific challenges related to *Preventing and Detecting Fraud Against Government Programs* and *Informing and Protecting the Public from Pandemic-Related Fraud*, which encompass and highlight challenges within the pandemic UI programs.

Reports issued by DOL OIG as well as by State Auditor Offices have identified similar, or cross-cutting, challenges faced by SWAs in implementing these programs.

Key Insight: Unemployment Insurance Workload Surged for States

As a result of the COVID-19 pandemic and businesses closing their doors, SWAs experienced a surge in UI claims—**sometimes doubling and tripling the number of claims almost overnight**—that limited or delayed the response capabilities of states. This increase in claims was ultimately the catalyst for many of the other challenges that SWAs faced and continued to face during the pandemic. Several State Auditors reported on the increase in UI claims¹ and how these claims ultimately impacted the service the SWAs could provide.



California's State Auditor reported that its SWA experienced a dramatic increase in unemployment claims—comparing it to the number of claims received following the Great Recession of 2008 and 2009, with **over 2.5 million more unemployment claims** during the first half of 2020 alone.



The Louisiana Legislative Auditor found that the unemployment rate grew almost 8 percent between February 2020 and April 2020. Even more notably, **Louisiana saw a 2,000 percent increase of unemployment claims on April 25, 2020**, compared to what they experienced on February 29, 2020.



The Kansas Legislative Post Auditor found that Kansas' unemployment rate increased 9 percent as a result of the pandemic, from just 3 percent in January 2020 to 12 percent in April 2020.

Kansas' SWA also experienced a **more than 1,000 percent increase in the state's regular unemployment claims between February 2020 and April 2020**. Further, during April 2020 alone, there were roughly 12.5 million telephone calls to the Kansas SWA customer service call center.



The Washington State Auditor highlighted that **one week in March 2020 generated over 180,000 claims**. For context, the Auditor reported that only four times in the entirety of 2019 did weekly claims reach more than 10,000.



The Colorado State Auditor found that during Fiscal Year 2020 its SWA **paid out more than 15 times its typical amount of annual unemployment benefits** to recipients which totaled \$2.9 billion in federal funds and \$1.5 billion from the state's regular UI program.



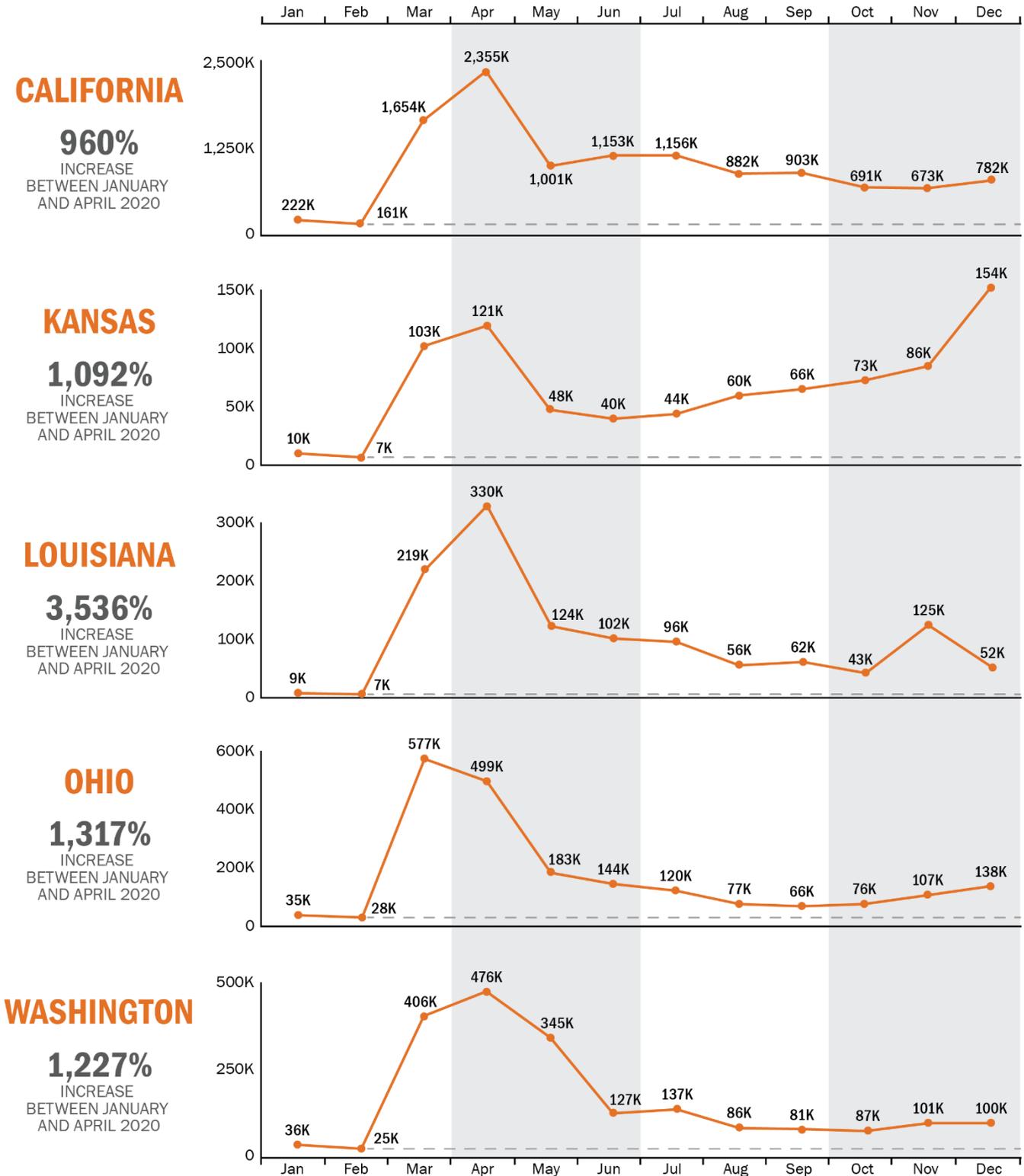
The Oklahoma State Auditor found that its SWA **paid out \$2.2 billion in unemployment benefits in Fiscal Year 2020, ten times more** than in Fiscal Year 2019.

Not only did these spikes in claims occur at the beginning of the pandemic, but the number of claims still remain above "normal levels" (see Figure 1 on the next page for claims data for select states during calendar year 2020).

¹ SWAs process federal and state unemployment insurance claims. Claims data and totals in the State Auditor reports did not always distinguish between the

two programs and total claims. The PRAC attempted to make a distinction between these two programs when it could.

Figure 1: Select State UI Claims Data, January 2020 through December 2020



Source: PRAC presentation of DOL's Employment and Training Administration data.

Challenge: Increase in Claims Negatively Impacted Response Times

The significant increase in UI claims impacted many SWAs' ability to provide adequate customer service and created serious delays for individuals to receive benefits.²



For example, the Ohio State Auditor found that, while prior to March 2020 the state met the DOL's benchmark (87 percent) from processing claimant's first UI payment within two weeks, in May 2020 roughly half the state's first payments took between 22 and 70 days. **By October 2020 the processing of approximately 40 percent of first payments had taken more than 70 days.** Further, the influx in claims forced the Ohio SWA to hire a large number of temporary staff. The temporary staff lacked specialized training, which made it difficult for the Ohio SWA to effectively use them to quickly deal with the backlog of claims that required staff intervention during 2020. According to the Ohio State Auditor, DOL data indicated that while Ohio's timeliness of claims processing in 2020 was initially in line with or behind peer states, such as Florida, Georgia, and Massachusetts,

Ohio's processing times continued to drop while most peer states recovered.



Similarly, the California State Auditor, in their January 2021 report, found **hundreds of thousands of claimants waited more than 21 days to receive their benefits**, which is the SWA's measure of how quickly it should process a claim. This delay was caused by the significant increase in claims and the California SWA's inability to automatically process half of all UI applications between March and September 2020. These applications required additional manual review by SWA staff.³



In another example, large increases in unemployment applications created a backlog for Louisiana's SWA given its requirement for staff to analyze documentation from claimants and employers before approving benefits. The Louisiana Legislative Auditor noted that both increases in employer responses regarding claims and the number of employers who did not submit documentation for individual claimants slowed the SWA's ability to process application documentation.

Key Insight: Claims Surge Exploited Weak Internal Controls

States' response times to process claims were not the only area of UI impacted by the pandemic-related claims surge. Internal controls within SWAs' unemployment programs were often reduced to handle the influx or were simply not effective enough to properly detect the high levels of fraud occurring. Several State Auditors identified that some internal controls in their

SWA failed to detect fraudulent activity. These failed controls ultimately impacted the states' ability to ensure that UI funds went to those who needed it instead of bad actors who fraudulently applied for benefits. Specifically, State Auditors found that the PUA eligibility requirements decreased internal controls and that state-specific control weaknesses for identity and

² The 14-to-21-day standard requires states to ensure 87 percent of claimants receive their initial benefits within 14 to 21 days after the end of the compensable week. As result, the claims processing start date to assess timeliness may be after the original submission date for the claim.

³ California's SWA responded to the findings that they have taken steps to increase efficiencies and to expedite the payment process such as adopting a workload management tool to help allocate resources properly and manage any future backlog.

eligibility verification negatively impacted the SWA's ability to detect fraud.

Challenge: PUA Requirements Decreased Controls

The federal PUA program provided unemployment benefits to new classes of workers who had not been previously eligible to receive benefits such as self-employed workers and gig workers. As outlined in the CARES Act, the only requirement to be eligible for the minimum benefits was that the applicant had to self-certify they were eligible to receive the benefits. In addition, based on DOL's interpretation of the CARES Act UI provisions, the Employment and Training Administration directed states to accept these self-certifications to approve their unemployment benefits rather than require a claimant to provide documentation. As a result, the PUA program did not include the typical verifications required for regular unemployment benefits. This reduction in controls to receive PUA benefits was a direct cause of the widespread fraud seen across states.⁴

State Highlight | Washington

As of April 13, 2021, the Washington SWA had approved \$646.8 million of unemployment benefits to bad actors or ineligible recipients.

Since that date, the Washington SWA has recovered roughly \$370 million in estimated losses.

⁴ Under the Continued Assistance for Unemployed Workers Act of 2020, Congress amended the unemployment requirements on December 27, 2020, which required claimants to provide documentation to substantiate their employment or self-employment to be eligible to receive PUA.

⁵ The Kansas SWA indicated that detecting the widespread fraud would have still been a challenge



The Washington State Auditor found that shortly after PUA funding became available the number of fraudulent and illegitimate claims began to rise in the state. The Washington State Auditor reported that PUA funding made it easier for fraudulent unemployment claims to be approved. They found that PUA fraud occurred most commonly through schemes involving claimants using other individual's personally identifiable information and individuals using their own information but intentionally misreporting information to receive benefits.



The Louisiana Legislative Auditor reported that the lack of identity requirements in the PUA exposed the state, and other states, to identity theft schemes. In addition, the Louisiana Legislative Auditor sampled 138 of the 575,000 unemployment claimants in Louisiana between March 14, 2020 and June 30, 2020 and found that **27 percent of claimants within the sample had inconsistent and/or missing information** which the Legislative Auditor identified as an indicator of potentially fraudulent claims or identity theft, or resulted in an improper payment.



The Kansas Legislative Post Auditor found that the structure of PUA made it difficult for the state's SWA to use its existing process to properly detect fraud.⁵ The Kansas SWA largely relied on a visual review of claims and public assistance data to identify unemployment fraud, but because the PUA requirements were

even if it had automated its processes. The Kansas SWA reported that it prevented \$2 billion in potentially fraudulent payments during the pandemic and estimates it may end up preventing around \$20 billion in potential fraudulent payments when considering the maximum payout amounts.

structured differently, individuals could bypass the Kansas SWA's established processes for identifying fraud. In addition, the Kansas Legislative Post Auditor estimated about \$700 million in potentially fraudulent payments could have been made in Kansas during the pandemic. About half of those fraudulent payments (\$343 million) came from federal funds, and half (\$344 million) came from state funds.

Challenge: Identity Verification

The reduction of controls to more quickly disburse unemployment funds led to states experiencing an increase in fraud schemes related to identity verification.



The California State Auditor found that the California SWA, in an attempt to balance the need for providing prompt unemployment

payments with adequate fraud prevention, removed a fraud prevention mechanism which applied a stop payment alert on claims where California SWA staff had identity concerns. This removal occurred, because leadership believed that there were other safeguards in place that would be able to stop these fraudulent payments. **This belief was ultimately incorrect and resulted in payments totaling more than \$1 billion to suspicious claimants.**⁶



The Washington State Auditor also cited identity verification as a significant issue for the state. The State Auditor found that the largest

fraud scheme prevalent with the state's unemployment programs—in terms of both

volume and dollar amount—was individuals who used stolen personal information to fraudulently apply for unemployment benefits. The Washington State Auditor found a material weakness in its state's SWA because **the regular discovery process that identifies claims as high risk for identity theft was not performed until after the claims had already been paid.** This control weakness continued until May 14, 2020.

State Highlight | Colorado

The Colorado State Auditor identified \$243,000 of federal unemployment funds were distributed to claimants involving identity theft. For example, the data showed one invalid social security number 151 times, which was how the Colorado SWA was tracking the benefits involving identity theft.



A report from the Arizona Auditor General found that the **Arizona SWA paid \$1.6 billion in federal UI benefits to individuals who used**

stolen identities in Fiscal Year 2020. The Auditor General concluded that this significant disbursement of funds to fraudulent actors was the result of the SWA misinterpreting the easing of claimant eligibility requirements for federal UI benefits. Specifically, the Arizona SWA believed it needed to reduce identity verification and other anti-fraud measures for federal UI benefits despite mandatory and strongly recommended guidance from the DOL regarding anti-theft and fraud measures for the federal UI program.⁷ The Auditor General also found that while the Arizona SWA implemented a new UI benefits system to

⁶ The California SWA indicated it added more controls, including the implementation of ID.me in October 2020 and data crossmatching efforts, such as crossmatching inmate and patient records.

⁷ The Arizona SWA noted that, at the time of report issuance, it had implemented one of the three mandatory activities from the DOL for the federal UI

benefits programs and continues to work with its vendors to implement the other two mandatory activities. The Arizona SWA has also implemented seven of the eight strongly recommended integrity functions in the PUA program and all eight integrity functions in the PUEC program.

handle the federal UI benefits, it did not initially include any identity verification or anti-fraud measures. However, **according to the Arizona SWA, it was able to ultimately prevent over \$75 billion in benefit payments to perpetrators of identity theft** through the development and implementation of prevention and fraud detection measures.



The Illinois State Auditor found that the identities of over 4,500 claimants were not validated and that the Illinois SWA had yet to

complete any action related to verifying these identities. Claims with unverified identities totaled over \$41 million for the state.

Challenge: Eligibility Verification

State Auditors also found that their SWAs were not adequately equipped to address the eligibility verifications issues related to unemployment claims during the pandemic.



The Louisiana Legislative Auditor found that the Louisiana SWA faced difficulties in verifying an individual's eligibility for unemployment benefits.

Specifically, state legislation allowed for additional time for employers to submit wage reports for employees, and because the SWA's process of determining UI eligibility relies on information provided by the employer, the SWA claimed that the delay impacted its ability to appropriately verify claimants' eligibilities. **As a result of inadequate claimant eligibility verification, the SWA paid out \$45.7 million to claimants who were not eligible to receive benefits.**⁸ In a separate report, the Louisiana

⁸ At the time that this report was published, the Louisiana SWA reported that it was weeks away from implementing a new identity verification system that would reduce the resource strain from identity theft schemes/fraud and help shift more attention back to other types of fraud cases such as eligibility verification.

Legislative Auditor also found that the ineffectiveness of the SWA's controls regarding death data matching resulted in the **disbursement of over \$1 million to individuals after the date of their death.**⁹ The Legislative Auditor stated that roughly a third of these funds should have been prevented from being disbursed through the SWA's established controls and over \$120,000 could have been prevented if the SWA increased the frequency of its death data match process from its frequency of once a month.



The Colorado State Auditor reported that the Colorado SWA stopped performing wage crossmatching due to a delay in the implementation of

its new unemployment system. The Colorado SWA indicated that it was not able to implement its new system on time due to the need to stand up new federal pandemic programs. The State Auditor noted this impacted the SWA's ability to ensure that claimants were both eligible and receiving the appropriate amount of benefits.



In its Qualified Opinion in its Single Audit Act report for Fiscal Year 2020, the Ohio State Auditor found that the Ohio SWA did not establish

sufficient procedures or controls to ensure that pandemic unemployment benefits were paid to only eligible claimants. The State Auditor highlighted that this resulted in the SWA's inability to detect, recover or report overpayments and ineligible payments.



The Oklahoma State Auditor highlighted that the SWA's inability to sufficiently prevent fraudulent unemployment claims stemmed

⁹ The Louisiana SWA stated that roughly 58 percent of the payments identified in this audit could not be detected through a crossmatch process. The remaining 42 percent detected in the audit accounts for less than 0.006 percent of total payments processed by the SWA.

largely from the agency’s inability to physically verify claimants’ identification due to social distancing restrictions. In addition to these highlighted control weaknesses, the Oklahoma State Auditor found the Oklahoma SWA did not consistently verify claimant information before payments were disbursed.



The Michigan Auditor General found that the eligibility criteria their SWA established for PUA was not authorized in the CARES Act nor by

DOL guidance which led to improper eligibility determinations. Further, the SWA continued to make improper eligibility determinations 9 months after DOL had notified the state of deficiencies within their PUA application. **In total, data from Michigan’s SWA revealed that they had provided \$3.9 billion in overpayments to ineligible claimants.** Michigan’s Auditor General emphasized that the SWA will likely be unable to recover the overpayments as the SWA was at fault, not the claimants.

Key Insight: Influx of Pandemic Funding Increased Fraud Scheme Variance

While many State Auditors found weaknesses in their SWA’s internal controls to detect and prevent fraud in their unemployment programs, a number of State Auditors reported on other fraud schemes that bad actors used to prey on UI programs that may not have been as prevalent prior to the pandemic. These reports highlight the breadth of the fraud schemes occurring across states and demonstrate the need for continued focus on detecting and preventing unique and complex fraud. These fraud schemes included insider threats; incarcerated individuals fraudulently accessing benefits; and complex, multi-state fraud schemes.

Challenge: Insider Threats



In its Statewide Single Audit, the Kentucky State Auditor found that some state employees applied for unemployment benefits while still

fully employed and that a number of these claimants, because of their position, had the ability to access their own claims and remove

“holds” on their account in the Kentucky SWA’s Information Management System.¹⁰

Additionally, State Auditors from Washington and Iowa both reported that bad actors were applying for unemployment benefits using personal identifiable information of state government employees, and, for Iowa, even employees who worked for their SWA.¹¹

Challenge: Fraud Involving Incarcerated Individuals

State Auditors from California, Louisiana, and Colorado uncovered instances of incarcerated individuals obtaining UI on a large scale, highlighting a unique challenge that added an additional obstacle for SWAs to properly detect and prevent fraudulent activity within their UI programs.



California’s SWA estimated that between January 2020 and November 2020 it **provided over \$800 million in unemployment**

¹⁰ The Kentucky SWA indicated that on August 16, 2020, the Kentucky Labor Cabinet took on oversight of UI. The Cabinet planned to issue a security policy stating that employees should not access case information

pertaining to their own claim, or those of a family member or friend.

¹¹ Washington’s SWA stated that fraud committed by internal employees is not currently, nor has it ever been, a systemic issue in the agency.

benefits to 45,000 claimants whose personal information matched those of incarcerated individuals.¹²



The Louisiana Legislative Auditor found that the Louisiana SWA's data match between unemployment benefit information and

incarceration data was not functioning properly, resulting in the distribution of **\$6.2 million in state and federal UI payments to almost 1,200 incarcerated individuals**, between January 2020 and November 2020. The report notes that while the Louisiana SWA conducted weekly matches against incarceration data, the issues occurred, in part, due to a lack of employment data for contract and gig workers.



The Colorado State Auditor found that the Colorado SWA was not crossmatching unemployment

claims with prison records, noting that as a result the Colorado SWA was unable to ensure that only eligible claimants are obtaining benefits. (See side bar on the next page for multi-state fraud case highlights.)

Challenge: Multi-state Fraud Schemes

In another fraud scheme identified at the federal level, claimants filed for unemployment benefits

in multiple states. For example, DOL OIG found that \$3.5 billion in potentially fraudulent unemployment claims were distributed to more than 225,000 social security numbers used to apply for unemployment in multiple states. Further, the DOL OIG identified one case where **a single social security number was used to apply for unemployment benefits in 40 different states, resulting in the disbursement of funds from 29 of those states, totaling \$222,532.**

Investigative efforts by federal and state law enforcement have also highlighted sophisticated multi-state fraud schemes that seek to exploit pandemic UI benefits. (See side bar on the next page for multi-state fraud case highlights.) DOL OIG was able to identify multi-state fraud claims because it collected UI data from all 50 states, the District of Columbia, and three U.S. territories. State workforce agencies that are a part of the National Association of SWAs Integrity Data Hub could have the ability to crossmatch UI data with other states. But as of December 2020, just 32 of 54 SWAs used or partially used the Integrity Data Hub. If a SWA does not have access to another state's UI data, it is limited in its ability to perform multi-state analyses similar to DOL OIG.

¹² California's SWA created a task force focused on investigating fraud, holding people accountable, and identifying resource needs. Work conducted by this task force includes developing data sharing agreements

between the SWA and the California Departments of Corrections and Rehabilitation and State Hospitals.

Multi-state UI Fraud Investigations

Western District of Washington

The Federal Bureau of Investigation (FBI) and DOL OIG led a successful investigation resulting in the indictment of a Nigerian citizen who submitted at least 253 fraudulent UI applications using stolen identities in 17 different states and obtained roughly \$300,000 in unemployment claims. The same two agencies, in a separate case, also arrested another Nigerian national who used stolen identities to apply for unemployment in seven different states.

Western District of North Carolina

The U.S. Postal Inspection Service and the FBI investigated a North Carolina man who fraudulently applied for more than \$150,000 in unemployment benefits in North Carolina, New Jersey, New York, and other states. The man ultimately pled guilty to the charges.

Eastern District of Michigan

The DOL OIG, U.S. Postal Inspection Service, and the Office of Inspector General at the U.S. Postal Service conducted a successful investigation which uncovered a Michigan man's attempts to fraudulently apply for unemployment benefits using stolen identities in Michigan, Pennsylvania, and other states.

Key Insight: Information Technology (IT) System Challenges to Providing Unemployment Insurance

SWAs also faced challenges with the technology systems used by claimants to apply for UI benefits. As the number of UI claims and corresponding fraud activity surged throughout 2020, states needed these critical technology systems to work effectively. State Auditors, most notably those in Florida, Oklahoma, Illinois, and Kansas found that issues with technology systems impacted the ability of their SWAs to properly provide pandemic UI benefits to residents. However, these were not the only states susceptible to pandemic-related challenges with their technological systems. According to the National Association of State Workforce Agencies over half of states were relying on outdated unemployment computer systems as of February 2021.



The Florida State Auditor found that the Florida Department of Economic Opportunity's Reemployment Assistance Claims and Benefits

Information (RA) System had unresolved deficiencies that created issues in processing, verifying, and distributing unemployment funds. Specifically, with the mass influx of unemployment claims, many RA System users encountered technical errors that ultimately hindered the ability to process claimant data. In addition, the SWA did not have an established, proactive approach to deal with these errors. The Florida State Auditor report further stated that unimplemented recommendations to improve the RA System from prior audits resulted in inaccurate payments, overpayment charges, and erroneous employer charges.



The Oklahoma State Auditor found that the state's UI claims system was outdated and did not have the ability to properly detect and prevent

fraudulent claims through automated edits. This specific failure was one of the main reasons why the SWA's internal controls were not sufficient at detecting fraudulent claims.



The Illinois State Auditor found that the Illinois SWA failed to implement broad IT controls for its PUA system, such as conducting a review of

access rights to the system during the audit period. The Illinois State Auditor concluded that the lack of IT controls and the inability for the Illinois SWA to provide a System and Organization Controls report made the system unreliable regarding claimant eligibility and adherence to federal rules.



In its Statewide Single Audit, the Oregon Secretary of State Audits Division found that its SWA used a variety of computer systems to

process and disburse UI claims, with the two main systems developed in the 1990s. While these systems functioned adequately, both were inflexible and difficult to maintain. The state started a process in 2018 to update its system and planned to complete the replacement by 2024, but the COVID-19 pandemic exacerbated

system deficiencies. The Audit Division found that this resulted in a significant backlog of unemployment claims between March and June 2020.¹³



The Kansas Legislative Post Auditor found issues with IT system use by the Kansas SWA. The Kansas Legislative Post Auditor reported

that the Kansas SWA's unemployment computer system was designed around a mainframe computer from the early 1970s with more modern programs added to the system in later years. As the result of an older system with updates, new and old code must work together in unison to process unemployment claims. The Kansas Legislative Post Auditor found that this increased the risk of system error. To implement the new pandemic UI programs, the Kansas SWA had to implement several changes as well as add an entire new program for PUA to its computer system. These events, combined with the significant number of new claims, created coding issues that in some cases denied eligible claimants and created delays for claims processing. Moreover, this problem aligns with the DOL OIG's finding that states with outdated mainframes had issues with implementing the new federal UI programs.

¹³ The Oregon Secretary of State Audits Division noted that while a new system would have helped the SWA better manage the influx in claims, no matter what

system was in place, the influx would have still taxed the system.

Appendix A: Acronyms

| | |
|-----------|--|
| CARES Act | Coronavirus Aid, Relief, and Economic Security Act |
| COVID-19 | novel coronavirus 2019 |
| DOL | Department of Labor |
| FBI | Federal Bureau of Investigation |
| FPUC | Federal Pandemic Unemployment Compensation |
| OIG | Office of Inspector General |
| IT | Information Technology |
| PEUC | Pandemic Emergency Unemployment Compensation |
| PRAC | Pandemic Response Accountability Committee |
| PUA | Pandemic Unemployment Assistance |
| SWA | State Workforce Agency |
| UI | Unemployment Insurance |
| RA | Florida Department of Economic Opportunity's Reemployment Assistance Claims and Benefits Information |

Appendix B: Scope and Methodology

The purpose of this insights report is to identify key themes or common challenges identified during oversight activities completed by the Department of Labor Office of Inspector General and the offices of State Auditors for the following states: Arizona, California, Colorado, Florida, Illinois, Iowa, Kansas, Kentucky, Louisiana, Michigan, Missouri, Ohio, Oklahoma, and Washington as well as the Office of the Comptroller for the state of New York and the Oregon Secretary of State (which includes both of those state’s audit function). The list of reports reviewed by the PRAC for inclusion in this insights report can be found below. All the work completed for this insights report complies with the Council of the Inspectors General on Integrity and Efficiency’s *Quality Standards for Federal Offices of Inspectors General*, which require that the work adheres to the professional standards of independence, due professional care, and quality assurance to ensure the accuracy of the information presented.

Table 1: Oversight Reports on Pandemic Unemployment Insurance Programs

| Office | Report Title | Issuance Date |
|--|---|-------------------|
| Arizona Auditor General | Report on Internal Control and on Compliance Year Ended June 30, 2020 | August 4, 2021 |
| California State Auditor | Significant Weaknesses in the Employment Development Department’s Approach to Fraud Prevention Have Led to Billions of Dollars in Improper Benefit Payments | January 28, 2021 |
| | Employment Development Department’s Poor Planning and Ineffective Management Left It Unprepared to Assist Californians Unemployed by COVID-19 Shutdowns | January 26, 2021 |
| Colorado State Auditor | Statewide Single Audit: Fiscal Year Ended June 30, 2020 | June 8, 2021 |
| | Unemployment Insurance Benefits Public Report | December 6, 2021 |
| Department of Labor, Office of Inspector General | COVID-19: States Struggled to Implement CARES Act Unemployment Insurance Programs | May 28, 2021 |
| | Alert Memorandum: The Employment and Training Administration Needs to Ensure State Workforce Agencies Implement Effective Unemployment Insurance Program Fraud Controls for High-Risk Areas | February 22, 2021 |
| | COVID-19: States Cite Vulnerabilities in Detecting Fraud While Complying with the Cares Act UI Program Self-Certification Requirement | October 21, 2020 |
| | Alert Memorandum: The Pandemic Unemployment Assistance Program Needs Proactive Measures to Detect and Prevent Improper Payments and Fraud | May 26, 2020 |
| Florida Auditor General | Department of Economic Opportunity: Reemployment Assistance Claims and Benefits Information System | March 2021 |
| | State of Florida Compliance and Internal Controls Over Financial Report and Federal Awards, For the Fiscal Year Ended June 30, 2020 | March 2021 |

| <i>Office</i> | <i>Report Title</i> | <i>Issuance Date</i> |
|---------------------------------|--|----------------------|
| Illinois Auditor General | Summary Report Digest: Department of Employment Security | July 28, 2021 |
| Iowa State Auditor | “Auditor Sand Advises Governmental Entities to be Wary of Fake Unemployment Claims” | November 2020 |
| Kansas Legislative Post Auditor | Evaluating the Kansas Department of Labor’s Response to COVID-19 Unemployment Claims (Part 2) | August 2021 |
| | Evaluating the Kansas Department of Labor’s Response to COVID-19 Unemployment Claims (Part 1) | February 2021 |
| Kentucky State Auditor | Report of the Statewide Single Audit of the Commonwealth of Kentucky Volume II | April 21, 2021 |
| Louisiana Legislative Auditor | Improper Payments in the Unemployment Insurance Program: Overpayments and Rule Violations | November 10, 2021 |
| | Improper Payments in the Unemployment Insurance Program: Deceased Recipients | June 16, 2021 |
| | Financial Audit Services Management Letter | June 2, 2021 |
| | Improper Payments in the Unemployment Insurance Program: Ineligible Incarcerated Recipients | April 28, 2021 |
| | Improper Payments in the Unemployment Insurance Program: Ineligible Recipients Based on Income | March 31, 2021 |
| Michigan Auditor General | Establishing Pandemic Unemployment Assistance Eligibility Criteria: Unemployment Insurance Agency, Department of Labor and Economic Opportunity | November 18, 2021 |
| | Independent Auditors’ Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards | March 10, 2021 |
| | Audited Financial Statements State of Michigan Department of Labor and Economic Opportunity Unemployment Insurance Agency – Unemployment Compensation Fund | March 10, 2021 |
| | Independent Auditors’ Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards | March 10, 2021 |
| | Audited Financial Statements State of Michigan Department of Labor and Economic Opportunity Unemployment Insurance Agency – Contingent Fund | March 10, 2021 |
| | Single Audit Reporting Package State of Michigan Department of Labor and Economic Opportunity Unemployment Insurance Agency – Unemployment Compensation Fund | March 10, 2021 |
| | Single Audit Reporting Package State of Michigan Department of Labor and Economic Opportunity Unemployment Insurance Agency – Administration Fund | March 10, 2021 |
| | | |

| <i>Office</i> | <i>Report Title</i> | <i>Issuance Date</i> |
|--|--|----------------------|
| | Audited Financial Statements: State of Michigan Department of Labor Economic Opportunity Unemployment Insurance Agency – Administration Fund | March 10, 2021 |
| | Independent Auditors’ Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards | March 10, 2021 |
| Missouri State Auditor | Federal Unemployment Funding for COVID-19 Response Through April 2021 | July 2021 |
| New York State Comptroller | Unemployment Insurance Trust Fund: Challenges Ahead | September 2021 |
| | The Tourism Industry in New York City: Reigniting the Return | April 2021 |
| | Arts, Entertainment and Recreation in New York City: Recent Trends and Impact of COVID-19 | February 2021 |
| Ohio State Auditor | Ohio Department of Job and Family Services: Auditor’s Report on Unemployment Insurance Fraud, For the Period March 1, 2020 through February 28, 2021 | October 22, 2021 |
| | Ohio Department of Job and Family Services: Unemployment Compensation Performance Audit | September 23, 2021 |
| | Auditor Questions State Financial Statement: Qualified Opinion Included in State of Ohio Audit | March 25, 2021 |
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| | Fraud Investigation Report: Employment Security Department | April 13, 2021 |
| | State of Washington: Financial Statements Audit Report | December 18, 2020 |

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