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**Sent:** Wednesday, June 10, 2020 12:40 PM  
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**Cc:** Levine, Suzi (ESD) <[SLevine@ESD.WA.GOV](mailto:SLevine@ESD.WA.GOV)>  
**Subject:** Employment Security Department

Dear Governor Inslee,

Like you, I am frustrated that cyber criminals would, in the midst of a global pandemic and economic crisis, target the unemployment insurance program overseen by the Employment Security Department. And, like you, I have heard from legislators and concerned Washingtonians wanting to understand how this fraud could have occurred and why benefits were delayed, especially in a time when so many have lost their jobs and need the extra help those benefits offer.

State Auditor's Office staff have been in contact with your office on this issue, and several legislators have asked how the State Auditor's Office can help. First, routine audits are essential to accountability, and previously scheduled audit work is under way now at ESD. Clearly, a large loss has occurred – despite recovering more than \$300 million in stolen funds – and that loss will have a significant effect on the state's federal grant audit and the comprehensive annual financial report for 2020.

Given the scale of the loss and the public's high expectations of transparency and accountability in this matter, I have directed my staff to conduct additional, special audit work. That work will review two areas: a performance audit to examine the factors that led to delayed and improper payments for unemployment benefits, and an information technology audit to examine potential weaknesses in the computer systems that support the unemployment program.

As you are aware, audits are typically retrospective, reviewing the expenditures and actions of previous years. Recent audits, conducted before the pandemic, reviewed the agency's [payroll and travel expenses](#), identified [issues in the Next Generation Tax System](#), and made recommendations to [prevent benefits being paid to people who are incarcerated](#).

Any examination of ESD now must recognize that the agency could not have reasonably anticipated the unprecedented number of claims it has received. Nothing in the history of our unemployment insurance program compares to this moment, in which a global pandemic created a wave of job loss 10 times greater than any before it. And I believe it is important to recognize that, throughout this crisis, ESD has continued to engage constructively with our auditors. We understand that its ability to work with us must be balanced with the demands of the public.

The women and men of ESD are on the front lines of this historic challenge, and are making a difference for people across our state. The role of the State Auditor's Office is to provide the public independent and objective reviews. Clearly, there are lessons to be learned from this crisis, and we believe our work will bring them to light.

Thank you for all your work in these challenging times. I am confident that, together, we will emerge from this crisis stronger than before.

Sincerely,

Pat McCarthy



Pat McCarthy

Washington State Auditor, [Office of the Washington State Auditor](#)

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