

Unemployment Fraud

Audits addressing scheme targeting the Employment Security Department

Background: At the State Auditor’s Office, we’ve heard from members of the public, the Legislature and the media interested to know about the work we are conducting at the state Employment Security Department (ESD). The agency was targeted in a major unemployment benefits fraud scheme early in 2020.

Summary of audit work plan:

SAO is conducting a series of audits of ESD to address three main areas of concern in the unemployment insurance program:

- the large-scale benefits fraud;
- delays in benefits payments; and
- the lack of responsiveness to people’s inquiries about their benefits.

This work will involve five distinct audits — three regularly scheduled audits and two new performance audits:

Financial audit – Each year, SAO conducts a review of the state of Washington’s financial statements. The unemployment insurance program is both a major expenditure and a major source of revenue for the state, so it will be reviewed as part of this audit. This will be the first report out, we expect by early December of this year.

An accountability audit – We were wrapping up this regularly scheduled audit when the ESD fraud occurred, so we’ve extended our work to include unemployment claims testing through the end of June 2020. We expect to issue the report in December.

Federal audit – SAO is required to audit federal grant spending for all state agencies. Federal CARES Act funds included increased unemployment benefits, so this audit will review ESD’s use of federal funds as they relate to federal unemployment expenditures. It will be published by the end of March 2021.

IT systems audit – This will review the integrity of the systems underlying the unemployment benefit system. We plan to publish it in April 2021.

Performance audit – This will be an overarching audit to understand what happened and why, and to make recommendations for the future. It will build on the results of the other audits. We plan to publish this audit in April 2021.

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