

REPORT HIGHLIGHTS



UNEMPLOYMENT INSURANCE BENEFITS
PERFORMANCE AUDIT, NOVEMBER 2021

DEPARTMENT OF LABOR AND EMPLOYMENT

KEY CONCERN

The Department of Labor and Employment (Department) did not prevent about \$73 million in payments on 8,200 likely fraudulent and potentially fraudulent unemployment insurance benefits (benefits) claims from March 2020 through April 2021, and did not track customer complaints or resolve them timely.

KEY FINDINGS

- During the COVID-19 pandemic, unemployment in Colorado and nationwide led to an increase in claims for benefits. For example, the Department received 1,100 percent more claims in Calendar Year 2020 than it received in Calendar Year 2019.
- The audit identified \$73.1 million in likely or potentially fraudulent benefits payments between March 1, 2020 and April 30, 2021, for 8,200 claims that each had one or more attributes indicating fraud, including:
 - ▶ \$3.87 million paid on behalf of 1,065 individuals who were deceased.
 - ▶ \$5.04 million paid on behalf of 696 individuals who were incarcerated.
 - ▶ \$101,630 paid to 18 claimants who did not appear eligible because they were not of working age.
 - ▶ \$18.5 million paid to 2,919 claimants who had suspicious bank account information associated with their claims.
 - ▶ \$45.78 million paid to 3,308 claimants whose claims had multiple indicators of fraud, such as suspicious email, foreign internet protocol (IP), and/or mailing addresses.
- The Department had no evidence to show that it had resolved 196,066 out of 266,284 (73 percent) claimant requests for assistance with their fraud holds. The Department took an average of 7 weeks to address issues raised in the 70,134 fraud hold assistance requests that it documented as resolved.
- The Department lacks effective complaint management processes to track and resolve problems that claimants report, resulting in complaints not being resolved timely or at all. The Department did not track most complaints at the beginning of the pandemic, and did not begin tracking complaints about contracted call center staff until February 2021.

BACKGROUND

- The key purposes of unemployment benefits are to stabilize the economy during periods of high unemployment, help unemployed Coloradans maintain their purchasing power, and support workers who lose their jobs [Section 8-70-102, C.R.S.].
- The Department processes claims for unemployment benefits and pays benefits to claimants.
- In Calendar Year 2020, about 852,000 Coloradans received unemployment benefits payments totaling \$6.9 billion, and in Calendar Year 2021, about 577,000 had received payments totaling \$4.6 billion as of October 2021.

KEY RECOMMENDATIONS

- Improve fraud detection, prevention, and investigation methods.
- Investigate each claim that the audit identified as likely or potentially fraudulent, and refer them to prosecution and recover inappropriate payments, as appropriate.
- Implement processes to investigate and address claimants' requests for assistance with benefits fraud holds in a timely manner, and document resolutions to all requests for assistance.
- Track, investigate, and resolve complaints from customers; analyze aggregate complaint data to identify ongoing problems; and take corrective action to address the problems identified, as appropriate.

The Department of Labor and Employment agreed with the audit recommendations.