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### **Colorado Paid Out More Than \$73 Million in Likely or Potentially Fraudulent Unemployment Insurance Benefits**

DENVER— The Colorado Office of the State Auditor (OSA) has released a performance audit evaluating the extent to which the Department of Labor and Employment (Department) paid unemployment benefits for potentially fraudulent claims.

The Department received more than 4 million claims for unemployment benefits from March 1, 2020, through April 30, 2021, the period reviewed during the audit. Using data analytic techniques on unemployment claims data, auditors identified \$73.1 million in likely or potentially fraudulent benefits payments that the Department made for 8,200 claims. Data analytic techniques included checking death and inmate records and reviewing claims for fraud indicators. Through this analysis, auditors identified \$3.9 million paid on behalf of individuals who were deceased, \$5 million paid on behalf of individuals who were incarcerated, \$18.5 million paid to individuals who had suspicious bank account information associated with their claims, \$46 million paid to individuals whose claims had multiple indicators of fraud (e.g., suspicious mailing, email, and foreign internet protocol addresses), and \$102,000 paid to individuals who did not appear eligible because they were not of working age. Some claims appeared to have been paid because fraudsters were inappropriately using the identities of those who were deceased, incarcerated, and others.

Auditors also found that the Department lacked effective complaint management processes to track and resolve problems that claimants reported, resulting in complaints not being resolved in a timely manner or at all. At the time of the audit, the Department had no evidence to show that it had resolved about 196,000 claimant requests (73 percent of the total requests) for assistance with fraud holds on their unemployment benefits. The Department took an average of 7 weeks to address issues raised in the approximately 70,000 requests for fraud hold assistance that it had documented as resolved.

Also, the Department has not historically tracked complaints related to unemployment benefits, and did not begin tracking complaints about contracted call center staff until February 2021.

“It’s important to protect taxpayer resources by having measures in place to prevent and detect fraudulent claims. But it’s also important to have effective processes in place to assist those individuals whose legitimate claims may have been put on hold as a result of these same fraud prevention and detection measures,” said Jenny Page, Audit Manager.

During the COVID-19 pandemic, there was a significant increase in unemployment claims nationwide. In Colorado, the Department experienced an unprecedented 1,100 percent increase in claims for benefits compared to Calendar Year 2019. In Calendar Year 2020, about 852,000 Coloradans received unemployment benefits payments totaling \$6.9 billion, and in Calendar Year 2021, about 577,000 Coloradans had received payments totaling \$4.6 billion as of October 2021.

Auditors made three recommendations for improving fraud prevention and detection measures, addressing claimants’ requests for assistance in a timely manner, and improving complaint management practices. The full report is available @ [www.colorado.gov/auditor](http://www.colorado.gov/auditor).

#### **About the Office of the State Auditor (OSA)**

Under the direction of the State Auditor, the OSA’s nonpartisan, professional staff promote government accountability by conducting independent performance, financial, and IT audits and evaluations of state agencies, departments, and institutions of higher education, conducting independent evaluations of the State’s tax expenditures (e.g., credits, exemptions, deductions), tracking about 4,000 Colorado local governments for compliance with the Local Government Audit Law, and operating a statewide fraud reporting hotline.

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