



Auditor of Public Accounts
Mike Harmon

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Contact: **Michael Goins**
Michael.Goins@ky.gov
502.564.5841
502.209.2867

Auditor Mike Harmon: Fraud Remains an Issue with Kentucky's Unemployment Insurance System

Issues Identified as Part of Statewide Single Audit of Kentucky for Fiscal Year 2021

FRANKFORT, Ky. (February 9, 2022) – Mike Harmon, Kentucky's 47th State Auditor of Public Accounts, today released Volume 1 of the Statewide Single Audit of Kentucky (SSWAK) for Fiscal Year 2021, which includes 19 findings. Of those 19 findings, nine relate to issues identified by auditors with Kentucky's Office of Unemployment Insurance (OUI) and the Unemployment Insurance (UI) system.

"Last year, our auditors detailed issues within OUI ranging from 'auto-pay' and the problems it created, to IT security concerns including employees having access to remove stops on their own accounts," said Auditor Harmon. "While some things appear to have improved, particularly with internal controls, this year's SSWAK report confirmed multiple instances of fraudulent claims within the UI system. OUI failed to fully implement controls to detect fraudulent activity, which resulted in many claimants receiving payments before OUI flagged them as potentially fraudulent and stopped further payments."

Among the issues related to fraudulent UI claims:

- Fifty-four claimants received a total of \$333,165 in UI payments and had reported the Labor Cabinet or "Commonwealth of Kentucky" as their employer. Auditors randomly selected and reviewed 13 of these claims, with payments totaling \$20,197, all of which were fraudulent as the claims were not filed by employees of the Commonwealth.
- From January to March 2021, 2,455 claims were filed which received only two weeks of payments in the quarter, totaling more than \$2.9 million. Auditors reviewed a random sample of 26 of these claims and 25 were fraudulent, with payments totaling \$29,050.

- There were 28,377 out-of-state UI claimants who were paid a total of more than \$195 million during the fiscal year. Auditors randomly-selected 34 claims, and 15 were fraudulent, with payments totaling \$69,703. A sample of these claims revealed one fraudulent claimant was paid \$31,911 before a fraud stop was applied by OUI.

“Our review found even though OUI took action to stop payment on these fraudulent claims, they did so after each claim was inappropriately paid for at least two weeks,” Auditor Harmon said. “From the small samples of claims the auditors reviewed, more than \$118,900 was confirmed to be fraudulent, with over \$31,000 paid to one out-of-state claimant. While OUI utilized software and tools to detect fraud, clearly a concerning number of fraudulent claimants received payments.”

In addition to issues identified within OUI, the FY 2021 SSWAK audit also contains findings for the Finance and Administration Cabinet, Commonwealth Office of Technology, Department of Revenue, Department of Agriculture, and Kentucky Horse Park.

“The Auditor’s office is tasked with ensuring that state government is accountable and transparent to those we all serve, the taxpayers of Kentucky,” said Auditor Harmon. “I am extremely proud of the dedication and professionalism of the audit staff who worked hard to complete this year’s SSWAK report, and I often say that government works most effectively when all parts of it are working together to do their jobs.”

You can review the first volume of the SSWAK report [here](#). Volume two of the SSWAK, which focuses on the Commonwealth’s compliance with federal grant requirements, will be released in the coming months.

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