

LOUISIANA WORKFORCE COMMISSION

STATE OF LOUISIANA

INVESTIGATIVE AUDIT SERVICES

Issued December 15, 2022

**LOUISIANA LEGISLATIVE AUDITOR
1600 NORTH THIRD STREET
POST OFFICE BOX 94397
BATON ROUGE, LOUISIANA 70804-9397**

LEGISLATIVE AUDITOR
MICHAEL J. "MIKE" WAGUESPACK, CPA

ASSISTANT LEGISLATIVE AUDITOR FOR INVESTIGATIONS
ROGER W. HARRIS, J.D., CCEP, CFI

INVESTIGATIVE AUDIT SENIOR MANAGER
GREGORY CLAPINSKI, CPA, CFE

INVESTIGATIVE AUDITOR
TROY LOGARBO, CPA

Under the provisions of state law, this report is a public document. A copy of this report has been submitted to the Governor, to the Attorney General, and to other public officials as required by state law. A copy of this report is available for public inspection at the Baton Rouge office of the Louisiana Legislative Auditor and online at www.lla.la.gov. When contacting the office, you may refer to Agency ID No. 3352 or Report ID No. 50210034 for additional information.

This document is produced by the Louisiana Legislative Auditor, State of Louisiana, Post Office Box 94397, Baton Rouge, Louisiana 70804-9397 in accordance with Louisiana Revised Statute 24:513. One copy of this public document was produced at an approximate cost of \$0.38. This material was produced in accordance with the standards for state agencies established pursuant to R.S. 43:31.

In compliance with the Americans With Disabilities Act, if you need special assistance relative to this document, or any documents of the Legislative Auditor, please contact Jenifer Schaye, General Counsel, at 225-339-3800.

December 15, 2022

AVA CATES, SECRETARY
LOUISIANA WORKFORCE COMMISSION

Baton Rouge, Louisiana

We are providing this report for your information and use. This investigative audit was performed in accordance with Louisiana Revised Statutes 24:513, *et seq.* to determine the validity of complaints we received.

The procedures we performed primarily consisted of making inquiries and examining selected financial records and other documents and do not constitute an examination or review in accordance with generally accepted auditing or attestation standards. Consequently, we provide no opinion, attestation, or other form of assurance with respect to the information upon which our work was based.

The accompanying report presents our findings and recommendations, as well as management's response. This is a public report. Copies of this report have been delivered to the District Attorney for the 19th Judicial District of Louisiana, the District Attorney for the 21st Judicial District of Louisiana and others, as required by law.

Respectfully submitted,



Michael J. "Mike" Waguespack, CPA
Legislative Auditor

MJW:ch

LWC 50210034



TABLE OF CONTENTS

	Page
Executive Summary	2
Background and Methodology	3
Finding and Recommendations:	
Claimant Received Unemployment Benefits for Multiple Individuals	4
Legal Provisions.....	8
Management’s Response.....	Appendix A

EXECUTIVE SUMMARY

Claimant Received Unemployment Benefits for Multiple Individuals

Louisiana Workforce Commission (LWC) and bank records show that claimant A.B. received Pandemic unemployment benefits totaling \$81,786 on behalf of 10 claimants other than herself from May 6, 2020 to October 10, 2020. This amount includes \$49,224 for five claimants, four of whom claimed their identities were used without their knowledge, and one who died several years ago. Applications for four of the five remaining claimants indicated that they worked for the same employer as A.B. prior to the Pandemic. Further, all 10 claimants' LWC accounts were accessed from the same Internet Protocol addresses as A.B. and several used the same or similar addresses, phone numbers, and email addresses for their contact information. By receiving unemployment benefits payable to other individuals, A.B. may have violated state law.

PURSUANT TO SECTIONS 303(A)(1) AND 303(A)(8) OF THE SOCIAL SECURITY ACT, NAMES OF UNEMPLOYMENT COMPENSATION RECIPIENTS ARE TO BE HELD CONFIDENTIAL. THESE NAMES ARE IN OUR AUDIT WORK PAPERS, WHICH ARE NOT SUBJECT TO PUBLIC REVIEW. THROUGHOUT THE REPORT, WE HAVE USED ALPHABETIC INDICATORS IN THE PLACE OF RECIPIENTS' NAMES.

BACKGROUND AND METHODOLOGY

Following the mass unemployment of the Great Depression, the U.S. Congress passed the Social Security Act of 1935. The Act provided an inducement for states with an unemployment compensation law that met certain requirements. The Louisiana Legislature reacted quickly to the federal inducement and passed Louisiana's first unemployment compensation law in 1936.

Today, the Louisiana Workforce Commission (LWC) administers unemployment insurance (UI) benefits pursuant to the Louisiana Employment Security Law (La. R.S. 23:1471, *et seq.*) which provides workers whose jobs have been terminated, through no fault of their own, monetary payments for a set period of time or until they find new employment. The federal Coronavirus Aid, Relief, and Economic Security Act (H.R. 748, CARES Act, Public Law 116-136) (CARES Act) was signed into law on March 27, 2020. The CARES Act expanded Louisiana's ability to provide unemployment insurance benefits for many workers adversely impacted by the COVID-19 pandemic.

Under the CARES Act, Louisiana claimants eligible for regular UI benefits are also entitled to Federal Pandemic Unemployment Compensation (FPUC), an emergency program established by the CARES Act to increase unemployment benefits by \$600 per week. The CARES Act also established the Pandemic Unemployment Assistance (PUA) to provide unemployment compensation for Louisiana claimants not eligible for regular UI benefits (e.g., self-employed persons, independent contractors, gig economy workers, workers with a limited work history, etc.). Claimants that qualified for PUA benefits were entitled to the \$600 weekly FPUC benefits under the CARES Act.

The Louisiana Legislative Auditor (LLA) used LWC unemployment data to identify bank accounts used by multiple claimants and found that the bank account used by claimant A.B. received unemployment benefits for at least ten other claimants. LLA initiated this investigative audit to determine if claimant A.B. improperly received unemployment benefits on behalf of other claimants.

The procedures performed during this audit included:

- (1) interviewing LWC employees and officials;
- (2) interviewing other persons, as appropriate;
- (3) examining selected LWC documents and records;
- (4) gathering and examining external parties' documents and records; and
- (5) reviewing applicable state and federal laws and regulations.

FINDING AND RECOMMENDATIONS

Claimant Received Unemployment Benefits for Multiple Individuals

Louisiana Workforce Commission (LWC) and bank records show that claimant A.B. received Pandemic unemployment benefits totaling \$81,786 on behalf of 10 claimants other than herself from May 6, 2020 to October 10, 2020. This amount includes \$49,224 for five claimants, four of whom claimed their identities were used without their knowledge, and one who died several years ago. Applications for four of the five remaining claimants indicated that they worked for the same employer as A.B. prior to the Pandemic. Further, all 10 claimants' LWC accounts were accessed from the same Internet Protocol (IP) addresses as A.B. and several used the same or similar addresses, phone numbers, and email addresses for their contact information. By receiving unemployment benefits payable to other individuals, A.B. may have violated state law.^{1,2,3,4,5}

LWC administers unemployment insurance (UI) benefits pursuant to the Louisiana Employment Security Law (La. R.S. 23:1471, *et seq.*). The federal Coronavirus Aid, Relief, and Economic Security Act (H.R. 748, CARES Act, Public Law 116-136) (CARES Act) was signed into law on March 27, 2020. The CARES Act expanded Louisiana's ability to provide UI benefits for many workers adversely impacted by the COVID-19 pandemic. Under the CARES Act, Louisiana claimants eligible for regular UI benefits are also entitled to Federal Pandemic Unemployment Compensation (FPUC), an emergency program established by the CARES Act to increase unemployment benefits by \$600 per week. The CARES Act also established the Pandemic Unemployment Assistance (PUA) to provide unemployment compensation for Louisiana claimants not eligible for regular UI benefits (e.g., self-employed persons, independent contractors, gig economy workers, workers with a limited work history, etc.). Claimants that qualified for PUA benefits were entitled to the \$600 weekly FPUC benefits under the CARES Act.

Applicants for unemployment benefits can create an account and apply for benefits using LWC's online HIRE application. Applicants are required to provide their employment status; former employers; dates of employment for their former employers; the date of layoff, termination, or separation from their former employer; and whether they are able to work and currently seeking employment. Each applicant is required to certify that the information provided in their claim is true to the best of their knowledge, and they understand that giving false information can be penalized as perjury. Once eligible for benefits, the applicant must access the applicant's HIRE account weekly to certify that they are able to work, seeking work, would accept work if they were offered a job, and to report all earnings for that week. UI benefits are reduced by the amount of earnings reported, and if the weekly earnings exceed the weekly UI benefit, the applicant is ineligible to receive UI and FPUC benefits for that week. Eligible applicants have the

option of receiving their weekly benefits deposited directly to their bank account or loaded onto a debit card issued by the state's third-party debit card provider, US Bank.

According to LWC records, A.B. filed an application for benefits on April 14, 2020, stating she had been employed by a business located at her residential address.^A We found this business was not registered with the Louisiana Secretary of State; was not registered with LWC as a Louisiana employer; and had no telephone listings or Internet presence found in Louisiana during our online search. Records show that LWC provided benefits totaling \$17,222 to A.B. from April 28, 2020 to October 14, 2020. According to her LWC file, A.B. initially received benefits in the same account used by the 10 other claimants, but later her account was accessed to have her benefits direct deposited to different bank accounts.

During our audit, we used LWC data to identify bank accounts used by multiple claimants. These records show that LWC deposited benefits totaling \$81,786 into A.B.'s bank account on behalf of 10 claimants (other than A.B.) from May 6, 2020 to October 10, 2020. This amount includes \$49,224 for five claimants, four of whom claimed their identities were used without their knowledge; and one who died several years ago. Unemployment applications for four of the five remaining claimants indicated they worked for the same employer as A.B. prior to the Pandemic. LWC and bank records show that benefits totaling \$32,562 were deposited to A.B.'s bank account on behalf of these five claimants.

Bank records show that A.B. used benefits deposited into her account on behalf of other claimants for personal purposes. For example, account records show that A.B. issued funds totaling \$12,536 to a business on September 9, 2020. According to these records, A.B. did not have sufficient funds for this transaction until her account received LWC deposits totaling \$18,908 on behalf of other individuals from September 1, 2020 to September 3, 2020. We contacted the owner of the business who confirmed that A.B. issued the funds to his business on September 9, 2020.

Claimants' Identities Used Without Their Knowledge

During our review of claimants whose benefits were deposited to A.B.'s bank account, we identified four individuals who claimed their identities were used without their knowledge, and one who has been deceased for several years. According to the applications submitted to LWC, the first three claimants worked for the same employer; one claimant worked for the same business as A.B.; and, one claimant (deceased) listed one of A.B.'s business addresses as his residential address. LWC records show that these claimants' LWC accounts were accessed using the same IP addresses used to access A.B.'s LWC account to certify for benefits, change their LWC account information, and submit documentation to LWC. In addition, we found that the documents submitted to LWC to establish the

^A A.B.'s application indicated that the business's address was in Monroe, LA; however, she later provided LWC with documentation indicating that the business was located at her residence.

claimants' identities had been fabricated or altered. According to LWC and bank records, benefits totaling \$49,224 were deposited into A.B.'s bank account on behalf of these five claimants from May 20, 2020 to October 10, 2020.

We located the owner of the company listed as the employer on three of the applications mentioned above. These applications included one application in her (owner's) name, an application in her employee's name and an application for another individual. The owner and her employee both stated that their identities had been stolen and used to obtain unemployment benefits. According to LWC records, the owner's business records (check copies, bank statements, etc.) were submitted to LWC to establish the identities of the owner and her employee. The owner and her employee both stated that they did not submit those records to LWC and confirmed that the bank statements submitted to LWC had been altered.^B The owner and her employee indicated that they did not receive the unemployment benefits deposited to A.B.'s bank account and that the third individual (who listed the owner's company as the employer) never worked for her company. We also spoke with the third individual, who told us he did not apply for unemployment benefits and confirmed that the social card submitted to LWC (in his name and Social Security number) was not his Social Security card.^C LWC and bank records show that benefits totaling \$27,116 were deposited to A.B.'s bank account on behalf of these three claimants from May 26, 2020 to October 10, 2020.

Records show that the fourth claimant filed an application for benefits on May 10, 2020, and indicated that he was employed by the business located at A.B.'s residential address prior to the Pandemic. Although no wages had been reported for the claimant within the last four years, his LWC file included a Notice of Claim Filed/Base Period Employer form that appears to have been completed by someone associated with the business located at A.B.'s residential address indicating that the claimant had been laid off due to the Coronavirus. This claimant's LWC file also included a copy of a Social Security card and an auto insurance invoice in the claimant's name. We spoke with the claimant who told us that he did not file an application for benefits; he did not work for the business located at A.B.'s residential address; and, that the Social Security card and insurance invoice in his LWC file had been fabricated. The claimant stated that he rented property from A.B.'s boyfriend, and that A.B. approached him and told him that she submitted an unemployment application on his behalf. The claimant stated that A.B. later told him that his benefits had been denied. LWC and bank records show that benefits totaling \$7,112 were deposited to A.B.'s bank account on behalf of this claimant from September 1, 2020 to October 10, 2020.

According to LWC records, the fifth claimant's application for benefits was submitted on June 7, 2020, and listed a residential address in Monroe, LA, consistent with A.B.'s original business address. LWC records show that the

^B The owner provided us with copies of her company's bank statements. It appears that the bank statements submitted to LWC were from July 2018; however, the dates were altered to indicate that the transactions were from July 2019.

^C The Social Security card submitted to LWC on behalf of this claimant appears to be a generic card with the claimant's name and Social Security typed/printed on the card.

claimant's LWC account was accessed from the same IP addresses used by A.B. to change his bank account to the same account used by A.B. and others. A Google search revealed that the claimant passed away in November 2018. LWC and bank records show that benefits totaling \$14,996 were deposited to A.B.'s bank account on behalf of this claimant from July 28, 2020 to October 7, 2020.

Claimants Who Listed the Same Employer on Their Applications as A.B.

In addition to the five claimants mentioned in the previous section (*Claimants' Identities Used Without Their Knowledge*), LWC and bank records show that benefits totaling \$32,562 were deposited to A.B.'s bank account on behalf of five other claimants from May 13, 2020 to October 7, 2020. These claimants used the same or similar addresses, phone numbers, and email addresses for their contact information and their LWC accounts were accessed from the same IP addresses as A.B. Applications for four of the five claimants indicated that they had been employed by the business located at A.B.'s residential address prior to the Pandemic. Although no wages were reported to LWC by the company for any of these claimants, two of the claimants' LWC files included a Notice of Claim Filed/Base Period Employer form that had been sent to A.B.'s address (as the listed employer), completed, and returned to LWC indicating that the claimants had worked for the company/business prior to the Pandemic and were laid off due to the Pandemic. The Notice of Claim Filed/Base Period Employer submitted for one such claimant appears to have been completed and submitted to LWC by A.B. Further, based on records provided to LWC by A.B., this claimant appears to have lived with A.B. Our attempts to contact these claimants and A.B. were unsuccessful.

Recommendations

We recommend that LWC seek legal advice to determine the appropriate actions to be taken, including recovering benefits received by A.B. on behalf of others. In addition, LWC should:

- (1) Investigate instances in which multiple individuals used the same mailing address and IP address to apply for benefits;
- (2) Investigate instances in which multiple individuals use the same bank account to receive benefits;
- (3) Identify and investigate instances in which multiple individuals use the same IP address, within the same time periods, to submit applications, certify for benefits, and change personal information within their accounts; and
- (4) File corrected 1099s with the IRS for any previously filed 1099s that do not accurately reflect the amounts of unemployment benefits paid to claimants to reflect the appropriate amount.

LEGAL PROVISIONS

¹ **La. R.S. 14:67(A)** states, "Theft is the misappropriation or taking of anything of value which belongs to another, either without the consent of the other to the misappropriation or taking, or by means of fraudulent conduct, practices, or representations. An intent to deprive the other permanently of whatever may be the subject of the misappropriation or taking is essential."

² **La. R.S. 14:67.16(B)** states, "Identity theft is the intentional use, possession, transfer, or attempted use, with fraudulent intent, by any person of any personal identifying information of another person to obtain, possess, or transfer, whether contemporaneously or not, credit, money, goods, services, or any thing else of value without the authorization or consent of the other person."

³ **La. R.S. 14:70.8(A)** states, "Whoever with intent to defraud either transmits, attempts to transmit, causes to be transmitted, solicits a transmission, or receives a transmission, by wire or radio signal, any stolen or fraudulently obtained monetary funds shall be imprisoned, with or without hard labor, for not more than ten years, or fined not more than one hundred thousand dollars, or both."

⁴ **La. R.S. 14:70.9(A)** states, "The crime of government benefits fraud is the act of any person who, with intent to defraud the state or any person or entity through any government benefits administered by any state department, agency, or political subdivision, does any of the following: (1) Presents for allowance or payment any false or fraudulent claim for furnishing services, merchandise, or payments. (2) Knowingly submits false information for the purpose of obtaining greater compensation than that to which he is legally entitled for furnishing services, merchandise, or payments. (3) Knowingly submits false information for the purpose of obtaining authorization for furnishing services, merchandise, or payments. (4) Knowingly makes or causes to be made a false statement or representation of material fact on an application or form for assistance, goods, services, or payments when the false statement or representation is made for the purpose of determining the person's eligibility to receive benefits or payments. (5) Knowingly conceals or fails to disclose any material fact affecting the applicant's or recipient's initial or continued eligibility to receive benefits or payments."

⁵ **La. R.S. 14:133(A)** states, "Filing false public records is the filing or depositing for record in any public office or with any public official, or the maintaining as required by law, regulation, or rule, with knowledge of its falsity, of any of the following: (1) Any forged document. (2) Any wrongfully altered document. (3) Any document containing a false statement or false representation of a material fact."

APPENDIX A

Management's Response



1001 North 23rd Street
 Post Office Box 94094
 Baton Rouge, LA 70804-9094

(O) 225-342-3110
 (F) 225-342-2051
www.laworks.net

John Bel Edwards, Governor
Ava Cates, Secretary

Office of the Secretary

December 8, 2022

Michael J. "Mike" Waguespack, CPA
 Louisiana Legislative Auditor
 Post Office Box 94397
 Baton Rouge, Louisiana 70804-9397

Dear Mr. Waguespack:

The Louisiana Workforce Commission (LWC) respectfully submits its management responses to your investigative audit reports (LLA Project Numbers 50210010, 5020020, and 50210034).

As an initial matter, the LWC finds it is imperative to note that the above-referenced reports should not be construed as audits of the LWC and/or its investigative processes. Rather, based on information provided to Louisiana Legislative Auditor's (LLA) Office by LWC, these reports detail three (3) separate investigations identified by our Unemployment Insurance (UI) Investigations staff early on during the COVID-19 pandemic to determine whether fraud actually occurred.

By now your office is well aware that the crippling effect of the pandemic was unimaginable for State Workforce Agencies (SWAs) across the country. Louisiana went from 1,698 initial unemployment insurance claims for the week ending March 7, 2020, to 72,438 for week ending March 21, 2020. By the week ending April 18, 2020, LWC received a combined total of 732,000 new and weekly claim certifications.

Weekly UI Claims			
Week-ending	Initial Claims	Weekly Certifications	Total Claims
4/18/2020	91,923	246,296	732,059
4/11/2020	79,653	217,532	297,185
4/4/2020	100,621	116,690	217,311
3/28/2020	97,400	58,027	514,496
3/21/2020	72,438	14,143	86,581
3/14/2020	2,255	13,987	16,242
3/7/2020	1,698	14,199	15,897

Along with several hundred thousand new unemployment claims, States were tasked with implementing and administering several new federal programs within an impossibly narrow timeframe and with insufficient and ever-changing guidance that did not take into account the increased potential for fraud to occur. The CARES Act benefit programs were comprised of approximately 7 temporary new programs that are vastly different from "regular state unemployment benefits" (RSUB). These programs ended on July 31, 2021. However, over the course of the last three years, the LLA has conducted at least five (5) audits of the UI program, including the various CARES Act benefit programs. The combined total percentage of fraud claims identified in these audit reports is less than 4%, giving LWC an accurate payment rate of over 95%. While perfection of course remains the ultimate goal, it was especially challenging to achieve during the period at issue in these reports.

As such, the LWC finds it extremely important to note the following:

- In response to the global COVID-19 pandemic, and the ensuing national health crisis, the United States Congress passed and President Donald J. Trump signed legislation to provide assistance to both businesses and workers through Payroll Protection and CARES Unemployment Insurance, respectively. The Pandemic Unemployment

Assistance (PUA) Program was created from the CARES Act UI provisions. **Nearly all of the claims identified in the referenced reports are PUA claims that were filed soon after the program was launched. None of these individuals would have been eligible for or ever received regular state unemployment insurance benefits.**

- In order to receive CARES UI benefits when the program was launched, states were specifically forbidden from requiring proof of identity and/or income. Further, some of the recommendations outlined in the audit report contradict with USDOL UIPL 01-16, which was in effect during the period in question.
- Louisiana was among the first states to introduce enhanced identity verification requirements throughout the course of CARES UI. As various federal prohibitions were changed or lifted, LWC instituted new security and identification protocols. Indeed, some variation of most of the recommendations in these reports are already in place.
- Not all multiple-use indicators are indicative of fraud. There is no prohibition against paying benefits to individuals that live at the same address and/or use the same bank accounts. Delaying benefits for those that are either in group homes, homeless shelters, rehabilitation facilities, multi-generational families, multi-family households etc., would have an adverse effect on our efforts to ensure equity and access to all of our citizens.
- The investigation conducted by the LLA far exceeded the scope of LWC's investigative capabilities. Because the LWC does not have prosecutorial authority, our agency works diligently with various law enforcement agencies, including the Federal Office of the Inspector General (OIG) to identify and prosecute fraudulent schemes and crime rings.

While the LWC must concur with the recommendations outlined in the reports, note that these recommendations closely resemble a mere recitation of our current processes. In fact, during the review period in question, LWC UI Staff was in routine contact with the LLA discussing issues related to call center hold times, delays in payment of claims, and suspected fraud. Based on those discussions, the Legislative Audit Advisory Council convened a closed door session in 2020 to review LWC's tools and protocols related to fraud. The Council elected to discuss these measures in a closed session due to the possibility that public disclosure of our fraud screens would compromise their effectiveness.

To be clear, we feel strongly that no level of fraud is acceptable. Therefore, the LWC has and will continue to invest in fraud protection. Additionally, the Louisiana Legislature has allocated a total of \$1,083,600,000 to replenish the state unemployment trust fund since Fiscal Year 2021. Nationally, the cost of operating state unemployment insurance programs is of grave concern and will ultimately need to be addressed. In the interim, the LWC will continue to work diligently with your office and various law enforcement agencies to ensure that our unemployment insurance program remains an effective and equitable one for Louisiana's citizens.

Should you have any questions or need additional information, please feel free to contact my office at 225-342-3001.

Sincerely,



Ava Cates
Secretary