

IMPROPER PAYMENTS IN THE UNEMPLOYMENT INSURANCE
PROGRAM: DECEASED RECIPIENTS

LOUISIANA WORKFORCE COMMISSION



PERFORMANCE AUDIT SERVICES

DATA ANALYTICS UNIT

JUNE 16, 2021

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

LEGISLATIVE AUDITOR
MICHAEL J. "MIKE" WAGUESPACK, CPA

FIRST ASSISTANT LEGISLATIVE AUDITOR
ERNEST F. SUMMERVILLE, JR., CPA

DIRECTOR OF PERFORMANCE AUDIT SERVICES
KAREN LEBLANC, CIA, CGAP, MSW

FOR QUESTIONS RELATED TO THIS PERFORMANCE AUDIT, CONTACT
CHRIS MAGEE, PERFORMANCE AUDIT DATA ANALYTICS MANAGER,
AT 225-339-3800.

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.la.gov.

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. Five copies of this public document were produced at an approximate cost of \$2.00. This material was produced in accordance with the standards for state agencies established pursuant to R.S. 43:31. This report is available on the Legislative Auditor's website at www.la.gov. When contacting the office, you may refer to Agency ID No. 3352 or Report ID No. 82200010 for additional information.

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.



LOUISIANA LEGISLATIVE AUDITOR
MICHAEL J. "MIKE" WAGUESPACK, CPA

June 16, 2021

The Honorable Patrick Page Cortez,
President of the Senate
The Honorable Clay Schexnayder,
Speaker of the House of Representatives

Dear Senator Cortez and Representative Schexnayder:

The purpose of this audit was to identify potentially improper payments the Louisiana Workforce Commission (LWC) made to deceased individuals.

We found that, of the approximately \$8.57 billion in State and Federal Unemployment Insurance (UI) benefit payments made by LWC, approximately \$1.08 million (0.013%) was paid to 374 individuals after they died. Of that amount, \$629,091 in payments could not have been prevented, \$337,007 of the payments should have been prevented by LWC's current controls, and \$123,194 could have been prevented if LWC conducted a weekly match with the Louisiana Department of Health's (LDH) death data. Our examination covered the period of March 2020 through April 2021.

LDH is required each month to send LWC a list of individuals who died in Louisiana during the preceding month. LWC then performs a data match of individuals receiving unemployment benefits to the file sent by LDH. In addition, LWC matches all new unemployment insurance claims against the Social Security Administration's Death Master File.

Although LWC updates its information on deceased individuals monthly, weekly data is available from LDH. Since UI claimants must re-certify their need for benefits each week, we analyzed LDH's death data and UI benefits paid on a weekly basis.

Our analysis identified three categories of potentially improper payments:

- 2,997 payments totaling \$629,091 to 334 individuals that could not have been prevented because the benefits were paid before LDH received a death report or death certificate
- 1,504 payments totaling \$337,007 to 76 individuals that should have been prevented under LWC's current death data match process

The Honorable Patrick Page Cortez,
President of the Senate
The Honorable Clay Schexnayder,
Speaker of the House of Representatives
June 16, 2021
Page 2

- 574 payments totaling \$123,194 to 116 individuals that could have been prevented if LWC performed its death data match weekly instead of monthly

LWC is working to resolve these issues and is taking steps to recoup payments for cases identified as potential fraud and/or overpayment.

This report contains our findings, conclusions, and recommendations. I hope this report will benefit you in your legislative decision-making process.

We would like to express our appreciation to the Louisiana Workforce Commission for its assistance during this audit.

Respectfully submitted,

A handwritten signature in blue ink, appearing to read "Mike Waguespack", with a long horizontal flourish extending to the right.

Michael J. "Mike" Waguespack, CPA
Legislative Auditor

MJW/aa

LWC UI DECEASED

Louisiana Legislative Auditor

Michael J. “Mike” Waguespack, CPA



Improper Payments in the Unemployment Insurance Program: Deceased Recipients Louisiana Workforce Commission

June 2021

Audit Control # 82200010

Introduction

We evaluated the Louisiana Workforce Commission’s (LWC) Unemployment Insurance program (State UI) and federally-funded COVID-19 pandemic-related unemployment assistance programs (Federal UI) to determine if deceased individuals were paid unemployment benefits during the COVID-19 pandemic. According to state law,¹ the Louisiana Department of Health (LDH) is required to send LWC a list of individuals who died in Louisiana during the preceding calendar month by the tenth day of each month. LWC policy states that, upon receipt of a death report or death certificate from LDH, LWC stops all claim activities for the deceased individual, including benefit payments.

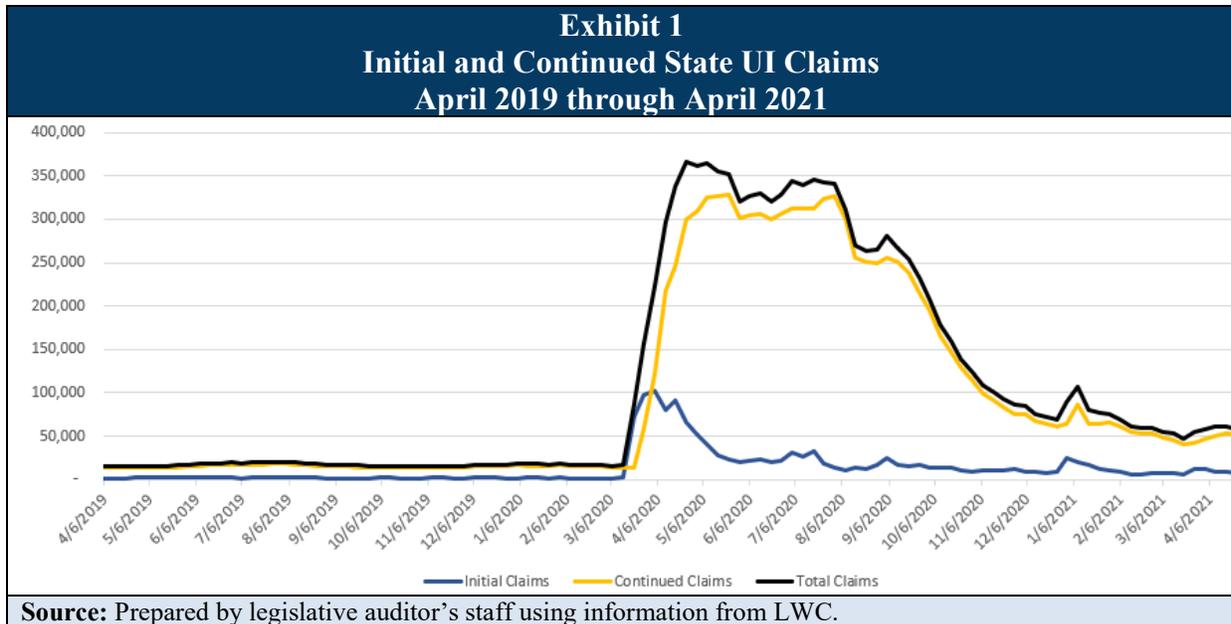
UI was established by the Federal Social Security Act in 1935 to provide workers whose jobs have been terminated, through no fault of their own, monetary payments for a set period of time or until they find new employment.

We conducted this audit because of the significant increase in costs and number of applicants for State and Federal UI during the COVID-19 pandemic, which according to data provided by LWC, totaled \$8.57 billion in payments to 721,887 individuals from March 30, 2020, through April 30, 2021. According to LWC, since March 2020 it has administered 13 different unemployment benefit programs, with each having its own rules and requirements. In addition, LWC stated that implementing the provisions of these programs was challenging because its current benefit system was designed to administer two benefit programs at a time. Louisiana’s unemployment rate grew from 5.2% in February 2020 to 13.1% in April 2020,² and the total number of State UI claims increased by more than 2,000%, from 16,798 on February 29, 2020, to 366,798 on April 25, 2020.³ See Exhibit 1 for the rise in initial and continued State UI claims from April 2019 through April 2021 as a result of the COVID-19 pandemic.

¹ Louisiana Revised Statute (La. R.S.) 23:1671(a)

² United States Bureau of Labor and Statistics, as of March 24, 2021.

³ To further combat the spread of COVID-19 in Louisiana, Governor John Bel Edwards issued a Stay-at-Home Order on March 22, 2020, directing all Louisiana residents to shelter at home and limit movements outside of their homes beyond essential needs.



Also, our office received numerous requests from legislators and the public to analyze various issues within LWC’s unemployment benefit programs. This report is the third report in a series of reports on unemployment benefits paid during the COVID-19 pandemic.⁴ Louisiana provides weekly State UI benefits of \$10 to \$247 to unemployed individuals who lost income or were separated from employment through no fault of their own. The amount of State UI benefits paid to an individual on a weekly basis is determined by the amount of lost income and the amount of income earned from other sources of employment. In addition, as a part of the Coronavirus Aid, Relief, and Economic Security Act (CARES Act), the federal government began paying multiple forms of federal benefits, including an additional \$600 in Federal UI benefits to anyone who qualified for State UI. See Exhibit 2 for a summary of the number of individuals who received benefits and the amount of benefits paid out for State and Federal UI.

⁴ Improper Payments in the Unemployment Insurance Program: Ineligible Recipients Based on Income, [http://app.la.state.la.us/PublicReports.nsf/0/171A039C44F4736E862586A900581586/\\$FILE/0002324CA.pdf?OpenElement&.7773098](http://app.la.state.la.us/PublicReports.nsf/0/171A039C44F4736E862586A900581586/$FILE/0002324CA.pdf?OpenElement&.7773098); Improper Payments in the Unemployment Insurance Program: Ineligible Incarcerated Recipients, [http://app.la.state.la.us/PublicReports.nsf/0/5039B45EEDA15366862586C5007680D7/\\$FILE/00023673A.pdf?OpenElement&.7773098](http://app.la.state.la.us/PublicReports.nsf/0/5039B45EEDA15366862586C5007680D7/$FILE/00023673A.pdf?OpenElement&.7773098)

Exhibit 2 State UI and Federal COVID-19 Pandemic-Related Benefits and Statistics March 30, 2020, through April 30, 2021				
Program Name	Description	Weekly Benefit Range	Number of Individuals	Amount
State UI	Traditional State UI program. Duration and amounts based on state law.	\$10 to \$247	499,205	\$1,542,112,706
Federal UI	Includes various Federal UI programs established by the CARES Act, other Federal legislation, or Presidential Executive Orders. The duration and amounts of these benefits vary by program.	Up to \$600	709,831*	7,030,629,247
Total			721,887**	\$8,572,741,953
* The total number of Federal UI claimants is larger than the number of State UI claimants because some Federal UI programs provide benefits to workers who are not eligible for State UI. ** The total number of individuals does not equal the sum of the individuals in each program since individuals can be in more than one program. Source: Prepared by legislative auditor’s staff using information and data from LWC.				

The objective of this audit was:

To identify potentially improper payments LWC made to deceased individuals.

Our results are summarized on the next page and discussed in detail throughout the remainder of the report. Appendix A contains LWC’s response to this report, and Appendix B details our scope and methodology.

Objective: To identify potentially improper payments LWC made to deceased individuals.

Overall, of the approximately \$8.57 billion in State and Federal UI benefit payments made by LWC, we found that approximately \$1.08 million (0.013%) were made to 374 individuals after their date of death.⁵ While \$629,091 of these potentially improper payments could not have been prevented, \$337,007 of the payments should have been prevented by LWC's current controls, and \$123,194 could have been prevented if LWC conducted a weekly match with LDH death data. Although LWC could not prevent all of the payments from being made, LWC can attempt to recover all of the potentially improper payments. Our report analyzed whether UI claimants were paid unemployment benefits after their date of death during the period of March 2020 through April 2021. According to state law,⁶ LDH is required to send LWC a list of individuals who died (death file) in Louisiana during the preceding calendar month by the tenth day of each month. According to LWC policy, upon receipt of a death report or death certificate from LDH, LWC stops all claim activities for the deceased individual, including benefit payments. To verify whether unemployment benefit claimants are deceased, LWC performs a monthly data match of individuals receiving unemployment benefits to the death file sent by LDH. In addition, LWC matches all new claims filed against the Social Security Administration's (SSA) Death Master File.⁷

To evaluate LWC's process, we analyzed death data from LDH to identify individuals who were deceased prior to being paid weekly unemployment benefits.⁸ According to LDH, although death data is currently provided to multiple state agencies weekly, LWC receives it on a monthly basis. Due to the availability of weekly death data, and because individuals who receive UI benefits must re-certify their need for benefits weekly, we analyzed the death data and UI benefits paid on a weekly basis. Our analysis found that 374 deceased individuals were paid \$1,089,292 in unemployment benefits after their date of death. The results of our analysis were classified into the following categories⁹ of potentially improper payments:

⁵ The amount of potentially improper unemployment benefit payments reported in this finding is likely understated, as LWC was unable to provide the LLA with complete data for all unemployment applications under which payments were issued during the COVID-19 pandemic at the time of our analysis.

⁶ La. R.S. 23:1671(a)

⁷ The Social Security Administration's Death Master File contains more than 83 million death records, which are reported to the Social Security Administration by states, federal agencies, family members, funeral homes, financial institutions, and postal authorities.

⁸ We analyzed data from LDH, which contains all deaths that occurred in Louisiana and have been reported to LDH. The LLA does not have access to data for deaths that occurred outside of Louisiana and/or deaths that were not reported to LDH.

⁹ Some individuals appear in multiple categories due to when their benefit payments occurred and when LDH and LWC were notified of their deaths. However, individual payments do not appear in multiple categories.

- There were 2,997 payments totaling \$629,091 made to 334 individuals that could not have been prevented due to the payments occurring prior to LDH's receipt of a death report or death certificate.¹⁰
- There were 1,504 payments totaling \$337,007 made to 76 individuals that LWC's monthly death file data match should have prevented because LWC should have known about the deaths prior to making the payments.
- There were 574 payments totaling \$123,194 made to 116 individuals that could have been prevented if LWC conducted its death file data match weekly instead of monthly.

In all instances shown above, LWC can attempt to recover the potentially improper payments. In addition, because UI claimants must certify their need for UI benefits every week, weekly certifications made by UI claimants after the date of their death may be a potential indicator of another individual attempting to improperly obtain UI benefits by using the account of the deceased UI claimant. Further, instances where the UI claimant died prior to the date of their application for UI benefits may be a potential indicator that the deceased UI claimant's identity was stolen and used to apply for and receive unemployment benefits. For example, identifying information for an individual who died in March 2010 was used in May 2020 to apply for UI benefits, which resulted in \$8,998 of potentially improper payments. According to LWC, its current process of matching UI claimants with LDH's monthly death file and other data sources has identified 7,879 UI claimants as deceased since March 2020. LWC further stated that it has preliminarily identified the following issues related to the 374 deceased UI claimants identified in our analysis:

- The data match to the SSA's Master Death File worked, but LWC's controls did not stop payments for deceased individuals receiving Federal UI. LWC identified and fixed this issue early in the pandemic.
- Delays in the receipt of the death record by LDH or LWC for the deceased UI claimant caused LWC to not identify the UI claimant as deceased prior to making payments.
- LWC initially identified the UI claimant as deceased, but LWC staff later cleared the issue based on uploaded identity documents.

LWC stated that it is currently working through cases identified as potential fraud and/or overpayments. When fraud and/or overpayments are identified, LWC stated that it attempts to enter into a repayment agreement with the individual. If this is not accomplished, then LWC can collect on the individual's state and/or federal taxes.

¹⁰ Coroners and medical professionals in Louisiana submit death records to LDH. Death investigations and autopsies, as well as delays related to paper work or the submission of the actual death records, can result in LDH's untimely receipt of death notifications.

Matter for Legislative Consideration: The legislature may wish to amend the language in La. R.S. 23:1671(a) to help ensure that all deceased individuals are identified and matched against individuals receiving or applying for UI benefits on a weekly basis.

Recommendation 1: LWC should work with LDH to obtain the death file on a weekly basis and perform its data match on a weekly basis to more quickly identify deceased individuals receiving unemployment benefits.

Summary of Management's Response: LWC agreed with this recommendation and stated that it will cross-match against both SSA's and LDH's databases on a weekly basis. LWC further stated that it was explicitly prohibited from employing normal operating procedures during the first several months of the Pandemic Unemployment Assistance Program, which allowed these claims to bypass its first line of defense. See Appendix A for LWC's full response.

Recommendation 2: LWC should continue to investigate individuals who appear to have been deceased during the periods in which they were paid unemployment benefits and recoup dollars as appropriate.

Summary of Management's Response: LWC agreed with this recommendation and stated that it will continue to investigate all claims paid beyond the reported death date. LWC further stated that it will continue to investigate the tips and leads received from the public regarding unemployment insurance fraud committed, including the tips received about fraud committed on claims associated with deceased individuals. See Appendix A for LWC's full response.

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

June 11, 2021

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

Mr. Waguespack,

The Louisiana Workforce Commission (LWC) respectfully submits its responses to the report, *Improper Payments in the Unemployment Insurance Program: Deceased Recipients*.

My administration remains committed to ensuring the integrity of the Unemployment Insurance (UI) program. To be clear, the findings at issue in this report occurred during a time of extraordinary challenges. As a result of the COVID-19 pandemic, LWC was tasked with implementation of federal CARES Act benefit programs which were not initially equipped with the safeguards that typical state Unemployment Insurance programs provide. Under normal operating procedures, state UI programs are equipped with checks and balances that would largely prevent the types of occurrences that are addressed in the audit report.

LWC will continue interfacing with the national and state databases we use to detect and prevent fraudulent claims for unemployment compensation, including cross-matching against the Social Security Administration (SSA) and Louisiana Department of Health (LDH) death record databases. As noted in your report, we could not have prevented all of the improper payments identified, especially considering some of the known deficiencies of the SSA's death master file and the reporting lags sometimes associated with state vital records. However, the LWC will work diligently to resolve all issues within our control. Roughly 58% of the payments identified in this audit could not be detected through a cross-match process. The remaining 42% detected in the audit accounts for less than .006% of total payments processed by the LWC.

During the audit period, the LWC detected over 7,000 deceased individuals and flagged these for further verification. The largest percentage of the deaths detected by LLA through this audit is a result of identity theft which has and will continue to plague states administering the CARES Act programs. While the CARES Act provisions allowed deserving individuals that would have otherwise been ineligible to receive benefits, its programs were hastily implemented during a challenging time and with guidelines that were continuously revised. Initially, the relevant provisions of the CARES Act allowed individuals to file and receive benefits without any reported earnings from a covered employer. Self-certification programs, by their very nature, run counter to typical UI operations and safeguards. Normal UI operations require all state workforce agencies to validate the claimant's representations against wage records and employers' responses. The LWC was explicitly prohibited from employing this long-standing integrity principle during the first several months of the Pandemic Unemployment Assistance (PUA) Program. Therefore, these claims bypassed our first line of defense.

Prior to the CARES Act, an identity that is linked to an individual who has been deceased for 18 months or longer would not be monetarily eligible to receive benefits, resulting in an instant denial of benefits. The initial prohibition on requiring proof of employment during the pandemic hindered the LWC's ability to detect that an individual had been deceased prior to the reporting. At the urging of states and the USDOL Office of Inspector General, Congress later removed the prohibition against requiring documentation, and to mitigate the onslaught of fraud in the States, required proof of employment for any individual filing for benefits after December 26, 2020.

As noted in your report, some payments continued once an individual became deceased. These benefits were applied for by an individual that was privy to the deceased individual's log in information. Post-death benefit payments occur generally for one of two reasons: 1) an individual connected to the deceased individual files for benefits with the true belief that since the individual was alive during that week, they are entitled to the benefits for that week, or 2) an individual connected to the deceased individual files for benefits with the intent to commit fraud and receive benefits they are not entitled to receive. In other cases, our investigation reveals that some individuals were erroneously flagged as deceased by entities supplying death file information. Although the LWC will pursue a more frequent cross-match with LDH for death records as recommended, this will not prevent all improper payments in the future. It is virtually impossible to be immediately informed that an individual is deceased. In some cases, the SSA or LDH do not have the information available for a period of time after an individual is deceased.

To that end, the LWC reaffirms its commitment to continue to make enhancements to the administration of the Unemployment Insurance program despite the many challenges that will undoubtedly arise.

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

Sincerely,



Ava Cates
Secretary

Recommendation 1: LWC should work with LDH to obtain the death file on a weekly basis and perform its data match on a weekly basis to more quickly identify deceased individuals receiving unemployment benefits.

The Louisiana Workforce Commission (LWC) concurs. Prior to the Pandemic, our normal operating procedures would have largely prevented the types of occurrences identified in the audit report. The LWC's normal eligibility criteria require applicants for benefits to have worked in covered employment, meaning the applicant for benefits would be required to have verifiable wages on file with the agency before receiving benefits. The LWC was explicitly prohibited from employing this long-standing integrity principle during the first several months of the Pandemic Unemployment Assistance (PUA) Program. Therefore, these claims bypassed our first line of defense.

While we already cross-match all new claims filed and all name and date of birth changes against SSA's database and receive a monthly file from LDH, we are planning to update our current processes, which were in place prior to the global pandemic, and cross-match against both SSA's and LDH's databases on a weekly basis.

Recommendation 2: LWC should continue to investigate individuals who appear to have been deceased during the periods in which they were paid unemployment benefits and re-coup dollars as appropriate.

The Louisiana Workforce Commission (LWC) concurs. The LWC will continue to investigate all claims that paid beyond the reported death date. We will also continue to investigate the tips and leads received from the public regarding unemployment insurance fraud committed, including the tips received about fraud committed on claims associated with deceased individuals. We strongly encourage anyone with information about unemployment fraud to report that information to us at <https://www2.laworks.net/UIFraudMenu.asp>.

APPENDIX B: SCOPE AND METHODOLOGY

This report provides the results of our data analytics unit performance audit of the Louisiana Workforce Commission (LWC). We conducted this analysis under the provisions of Title 24 of the Louisiana Revised Statutes of 1950, as amended. This audit covered the UI benefits paid from March 30, 2020, through April 30, 2021. However, LWC was unable to provide the LLA with complete data for all unemployment applications under which payments were issued during the COVID-19 pandemic at the time of our analysis. Our audit objective was:

To identify potentially improper payments LWC made to deceased individuals.

The scope of our audit was less than that required by generally accepted *Government Auditing Standards* issued by the Comptroller General of the United States. We believe the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objective. To answer our objective, we performed the following audit steps:

- Obtained unemployment insurance data from LWC, including information regarding applications, claimants, and benefit payments.
- Obtained death data from the Louisiana Department of Health (LDH) to identify individuals who died during or were deceased prior to the COVID-19 pandemic.
- Researched and reviewed laws, rules, regulations, executive orders, and policies regarding the administration of and eligibility for unemployment insurance benefit programs.
- Analyzed unemployment insurance data obtained from LWC and death data obtained from LDH to identify individuals who were paid unemployment insurance benefits for benefit weeks after their date of death. Generally, we classified our results into categories based on the following:
 - Payments that took place prior to a UI claimant's death record being included in LDH's weekly death file were classified as payments that LWC could not have prevented.
 - Payments that took place after LWC should have received notification of the death in LDH's monthly death file were classified as payments that LWC should have prevented with its current controls.
 - Payments that took place one week after the UI claimant's death record being included in LDH's weekly death file were classified as payments that LWC could have prevented if it received LDH's death file on a weekly basis.