*Welcome to LLA Reports, a podcast produced by the Louisiana Legislative Auditor’s office. This podcast is intended to be an oral representation of the written report it highlights and is primarily for the use of the Louisiana Legislature.*

This is Chris Magee. I’m the data analytics manager for LLA’s Performance Audit Services.

This episode of LLA Reports focuses on our new report titled “Unemployment Insurance Program: Accuracy of IRS Form 1099-G Filings.”

The purpose of this audit was to determine if the 1099 forms filed by the Louisiana Workforce Commission – or LWC – accurately reported the amount of unemployment benefits paid to claimants during calendar years 2020 and 2021.

We conducted this audit because of the significant increase in costs and the number of applicants for State and Federal Unemployment Insurance benefits during the COVID-19 pandemic.

According to data provided by LWC, the agency paid out slightly more than $10 billion dollars in unemployment benefits to 753,574 claimants from January 1, 2020, through December 31, 2021.

Overall, we found that LWC filed accurate 1099 forms for 698,372 – or 99.7 percent – of 700,204 claimants in calendar year 2020.

However, LWC did not file accurate 1099s for 1,832 claimants in calendar year 2020, which resulted in approximately $2.1 million dollars in over-reported unemployment benefits or benefits attributed to incorrect Social Security numbers.

We found two main causes for the over-reporting of unemployment benefits:

The first was that LWC included the balances claimants owed for overpayments in the amount of unemployment benefits the claimants were paid.

The second was that LWC included completed and/or canceled overpayment offset transactions in the amount of unemployment benefits listed on the 1099s.

When LWC determines a claimant has received unemployment benefits he or she is not entitled to, it establishes an overpayment case and notifies the claimant that the benefits must be repaid.

If a claimant with an overpayment case is also eligible to receive unemployment benefits, LWC will withhold a portion or all of the benefits, which is an overpayment offset, and apply the withheld amount to the balance of the claimant’s overpayment case.

For calendar year 2020, LWC filed 1099s with the IRS that over-reported unemployment benefits for 1,776 claimants by more than $1.5 million dollars. That could result in the IRS determining these claimants owe taxes on unemployment benefits they did not receive.

LWC was able to identify and correct the problem in its system programming for 1099 forms filed for calendar year 2021.

However, agency staff are working to correct the issue for the calendar year 2020 1099s, after which the corrected forms will be submitted to the IRS.

In addition, we found that LWC filed 1099s for 56 claimants totaling $583,048 dollars that contained incorrect Social Security numbers.

However, LWC does not appear to have filed corrected 1099s for these claimants even though their Social Security numbers were corrected in the agency’s Helping Individuals Reach Employment – or HIRE – system.

HiRE is the LWC self-service system that claimants must use to access unemployment benefits services.

Lastly, LWC has not submitted corrected 1099s for claimants with incorrect 1099s for calendar year 2020 due to issues in its HiRE system. We found that these issues resulted in LWC’s HiRE system generating inaccurate 1099s for 10,791 additional claimants.

These inaccurate 1099s have not been filed with the IRS, but they have been added to the claimants’ HiRE accounts and overstate the affected claimants’ benefits by an additional $8.6 million.

As a result of our audit, we developed two recommendations.

The first one recommended LWC establish processes to review and test the HIRE system’s programming for calculations related to 1099s before implementing new programs.

The second one recommended LWC file corrected 1099s with the IRS for any previously filed 1099s that do not accurately reflect the amount of unemployment benefits claimants received.

LWC partially agreed with the first recommendation and agreed with the second.

*We hope you found this podcast informative, and that you’ll follow future episodes of LLA Reports.*

*This podcast was created as part of the audit report just discussed and is intended primarily for the use of the Louisiana Legislature. Both the full report and the podcast can be found on the LLA’s website at* [*www.lla.la.gov*](http://www.lla.la.gov)*.*

*Thank you for listening.*