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NEWS RELEASE

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Auditor of State Mary Mosiman today released a report on a review of certain Unemployment Insurance (UI) payments made by Iowa Workforce Development (IWD) during the period January 1, 2012 through January 13, 2015. The review was conducted in conjunction with the audit of the financial statements of the State of Iowa and in accordance with Chapter 11 of the *Code of Iowa* to determine if sufficient internal controls and oversight procedures have been implemented over UI. The review was performed following an investigation conducted by IWD regarding improper disbursements issued as a result of a fictitious employer scheme carried out between February 2013 and January 2015. In addition, during the review, IWD identified a separate concern regarding certain UI payments issued for the March 8, 2014 benefit week.

Mosiman reported the improper UI disbursements and uncollected penalties identified for the period reviewed total \$909,554.17, including \$66,162.49 of overpayments identified based on a review of selected employer accounts, \$97,119.29 resulting from the fictitious employer scheme, \$723,245.89 issued during the first quarter of 2014, primarily resulting from a telephone system malfunction which occurred on March 8, 2014, and \$23,026.50 of uncollected penalties assessed by IWD.

IWD's investigation reviewed all activity specifically related to the establishment of the fictitious employer accounts. In addition, IWD's investigation determined the improper UI benefits awarded to individuals filing UI claims against the fictitious employer accounts identified. However, the IWD investigation did not review other transactions to determine if there were additional improper payments or review the UI payment process to determine if any improvements were needed to ensure UI benefits are properly disbursed. As a result, the process for establishing an employer account and submitting information to IWD's online tax system, My Iowa UI (MIUI), as well as the benefit payment process for individual claimants, were reviewed by the Office of Auditor of State. Mosiman also reported certain UI payments directed to claimants residing outside Iowa were selected for testing. As a result, overpayments totaling \$66,162.49 were identified resulting from UI benefits being issued by IWD to claimants who were not eligible to receive UI.

Employers conducting business in Iowa are required to register with the UI division of IWD using the Report to Determine Liability, which is used to determine whether the employer is required to participate in UI. However, no independent verification of the information reported by the employers is performed. All liable employers are required to complete a quarterly Employer's

Contribution and Payroll Report, which is a record of wages employers paid to individual workers. It also includes the employers' total wages paid and total taxable wages, which are the main factors used to determine the employer's UI tax rate and corresponding quarterly UI contribution.

There are 18 eligibility requirements individuals must meet to receive UI and applications can be completed via the internet, through the employer, or in person at a Workforce Development Center. To submit a UI claim, claimants must answer specific questions, including whether they worked during the week for which they are claiming benefits, the gross wages for the week, current work status, and the number of employers contacted. Although IWD requires the job contact information be available upon request, no independent verification of the information submitted electronically by the claimants is performed. Most claimants receive payment through deposit to the Iowa EPPICard, a pre-paid debit card.

Mosiman reported the review verified \$112,741.00 of UI benefits were awarded to individual claimants based on the UI claims filed against the fictitious employer accounts IWD identified. Of this amount, \$94,509.00 was loaded to Iowa EPPICards, but only \$78,887.29 was drawn from those cards by the individual claimants. The difference of \$15,621.71 represents the amount recovered by IWD from the third-party administrator of the Iowa EPPICard once the fictitious employer scheme was identified. The remaining \$18,232.00 of improper UI benefits identified was deposited directly to the individual claimants' bank accounts. The unrecovered improper UI benefits identified total \$97,119.29.

Mosiman reported an IWD telephone system malfunction on March 8, 2014 resulted in certain claimants receiving UI benefits they were not entitled to. Specifically, when claimants called to submit their UI claims, the phone system did not properly record the information. IWD realized the error on Monday, March 10, after several claimants reported to IWD customer service the UI Benefits system showed no record of their UI claim. At that time, IWD decided to pay each claimant who received benefits the week prior his/her maximum weekly benefit for the March 8 benefit week in order to avoid withholding benefits from valid UI claims. According to IWD officials, it was also decided no further procedures would be performed to determine whether any invalid UI claims occurred for that benefit week.

IWD did not notify the Office of Auditor of State of this irregularity as required by section 11.2(2) of the *Code of Iowa*. However, a former IWD employee notified the Senate Government Oversight Committee subsequent to her retirement, and the Office of Auditor of State became aware of the issue through media reports. On August 27, 2014, representatives of IWD appeared before the Senate Government Oversight Committee and reported overpayments for the March 8 benefit week were limited to 85 claimants and UI benefits totaling \$27,000.00, but they were unable to provide supporting documentation to show how the 85 claimants or the \$27,000.00 was determined. IWD subsequently performed a query of the UI Benefits system and increased the number of claimants affected to 448 with a total overpayment of \$96,102.00.

Mosiman reported the review verified the 448 claimants and overpayment of \$96,102.00 identified by IWD's investigation and identified an additional 410 claimants and overpayment of \$88,839.83, for a total of 858 claimants and an overpayment of \$184,941.83. In addition, Mosiman reported IWD's UI Fraud Investigators identified an additional 694 claimants not included in IWD's investigation who received potential overpayments of \$248,924.41. However, because the Office of Auditor of State was delayed access to the UI Benefits system, the supporting information necessary to verify the additional potential overpayments identified by IWD's UI Fraud Investigators was no longer available.

Mosiman also reported the review identified \$289,379.65 of improper disbursements resulting from incorrect reporting of wages on UI claims for the first quarter of 2014. Based on the quarterly comparison performed, 557 claimants did not report the correct wages and received UI benefits they were not entitled to. In addition, IWD accumulated penalties totaling \$23,026.50 on these UI accounts. Improper UI benefits identified for the first quarter of 2014 total \$746,272.39, including the March 8 overpayments, improper benefits paid as a result of the incorrect reporting of wages, and the penalties assessed by IWD.

As a result of the procedures performed, Mosiman recommended IWD strengthen internal controls over UI, such as expanding existing verification procedures for both employers and claimants, ensuring the MIUI and UI Benefits systems contain accurate information, and strengthening current policies regarding UI claim overpayments.

A copy of the report is available for review in the Office of Auditor of State and on the Auditor of State's web site at <http://auditor.iowa.gov/specials/1360-3090-BE01.pdf>.

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**A REVIEW OF
CERTAIN UNEMPLOYMENT INSURANCE PAYMENTS
MADE BY
IOWA WORKFORCE DEVELOPMENT
FOR THE PERIOD
JANUARY 1, 2012 THROUGH JANUARY 13, 2015**

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Auditor's Transmittal Letter

To the Director of Iowa Workforce Development
and Members of the Iowa Workforce Development Board:

In conjunction with our audit of the financial statements of the State of Iowa for the years ended June 30, 2012 through June 30, 2015 and in accordance with Chapter 11 of the *Code of Iowa*, we have conducted a review of certain Unemployment Insurance (UI) payments made by Iowa Workforce Development (IWD). The review was performed following an investigation conducted by IWD regarding certain fictitious employer accounts. We have applied certain tests and procedures to selected UI financial transactions for the period January 1, 2012 through January 13, 2015. Based on discussions with IWD personnel and a review of relevant information, we performed the following procedures:

- (1) Evaluated internal controls to determine whether adequate policies and procedures were in place and operating effectively.
- (2) Interviewed IWD personnel to gain an understanding of the process for establishing an employer account, submitting information to IWD's online tax system, My Iowa UI, and issuing benefit payments. We also interviewed IWD personnel to determine the circumstances surrounding the March 8, 2014 telephone system malfunction and the resolution implemented as a result.
- (3) Reviewed the supporting documentation obtained from IWD to verify the completeness and accuracy of the information reported as part of its investigation.
- (4) Reviewed selected employer UI accounts and subsequent UI claims filed against those accounts to determine the propriety of UI payments issued.
- (5) Reviewed selected UI claims for the March 8, 2014 benefit week to determine the propriety of UI payments issued.

Based on these procedures, we determined IWD does not routinely perform independent verification of information submitted by UI claimants. In addition, the weekly and quarterly comparisons performed by IWD are based on incomplete data provided by employers. There are no penalties in place to deter employers from not responding to IWD's requests. Also, IWD is unable to query the UI Benefits system for identified risk areas because of the limitations of the software. We have developed certain recommendations and other relevant information we believe should be considered by Iowa Workforce Development.

As a result of these procedures, we identified improper UI benefits totaling \$909,554.17, including \$66,162.49 of overpayments identified based on a review of selected employer accounts, \$97,119.29 resulting from the fictitious employer scheme, and \$746,272.39 issued during the first quarter of 2014, primarily resulting from a telephone system malfunction which occurred on March 8, 2014.

Because the IWD investigation did not review other transactions to determine if any improvements were needed to ensure UI benefits are properly disbursed, we reviewed the process for establishing employer accounts, submitting information to IWD's online tax system, and processing UI benefit payments for individual claimants. As a result, we identified 44 UI claims approved for payment by IWD which were issued in error, resulting in net overpayments of \$66,162.49. A majority of the claimants had either voluntarily quit or were terminated for misconduct, which made them ineligible to receive UI.

We verified \$112,741.00 of UI benefits were improperly awarded to individual claimants based on the UI claims filed against the fictitious employer accounts identified. Of this amount, \$94,509.00 was loaded to Iowa EPPICards, but only \$78,887.29 was drawn from those cards by the individual claimants. The difference of \$15,621.71 represents the amount recovered by IWD from the third-party administrator of the Iowa EPPICard once the fictitious employer scheme was identified. The remaining \$18,232.00 of improper UI benefits identified was deposited directly to the individual claimants' bank accounts. The unrecovered improper UI benefits identified total \$97,119.29.

In addition, we verified \$96,102.00 of overpayments issued to 448 claimants and identified an additional \$88,839.83 of overpayments issued to 410 claimants for the March 8, 2014 benefit week. IWD's UI Fraud Investigators also identified an additional 694 claimants who received potential overpayments of \$248,924.41. However, because we were delayed access to the UI Benefits system, the supporting documentation necessary to verify the additional overpayments was no longer available.

We also identified \$289,379.65 of improper disbursements resulting from incorrect reporting of wages on UI claims by 557 claimants for the first quarter of 2014. In addition, IWD accumulated penalties totaling \$23,026.50 on these UI accounts. Improper UI benefits identified for the first quarter of 2014 total \$746,272.39, including the March 8 overpayments, improper benefits paid as a result of the incorrect reporting of wages, and the penalties assessed by IWD.

We extend our appreciation to the personnel of Iowa Workforce Development and the Division of Criminal Investigation for the courtesy, cooperation, and assistance provided to us during this review.


MARY MOSIMAN, CPA
Auditor of State


WARREN G. JENKINS, CPA
Chief Deputy Auditor of State

May 7, 2015

A Review of Certain Unemployment Insurance Payments

Background Information

The Unemployment Insurance Services Division (UI Division) of Iowa Workforce Development (IWD) administers Unemployment Insurance (UI) for the State of Iowa. UI is funded by employers covered by the Iowa Employment Security Law to provide temporary benefits for people who are able to and available for work and actively looking for work (unless waived), but are unemployed or working reduced hours through no fault of their own. Federal UI, or Emergency Unemployment Compensation (EUC), is administered by IWD for Iowa claimants but is federally funded.

The Iowa Employment Security Law defines an employer, or employing unit, as any individual (sole proprietor) or type of organization that currently has or previously had in its employment at least one individual performing services within the state of Iowa. An employer conducting business in Iowa for the first time is required to register with the UI Division of IWD using the Report to Determine Liability. The information to be provided includes:

- the name of the business,
- the trade name, such as construction or janitorial services,
- address of the business,
- type of business,
- wages paid,
- products (manufactured or services traded), and
- the number of employees.

The Report to Determine Liability is to be filed no later than 30 days after the first employees are hired in Iowa in order for IWD to inform the employer of its status prior to the accrual of penalties and interest. If an existing employer acquires another business, or a segregable part of a business, it must file a Report to Determine Liability as soon as the acquisition is complete. Out-of-state employers are required to file a Report to Determine Liability as soon as they have employment in Iowa. IWD reviews the Report to Determine Liability to determine whether the employer is required to participate in UI. However, no verification procedures are performed on the information reported by the employers. See **Finding A**.

A liable employer is required to participate in UI and report wages and pay UI tax to the UI Division of IWD. An employer becomes a liable employer retroactively to January 1 of the year in which it meets the following:

- has one or more employees performing covered services for any portion of a day in at least 20 different calendar weeks. The 20 calendar weeks do not need to be consecutive and the same employees do not need to be employed in each week.
- has total payroll of \$1,500.00 or more in any calendar quarter for covered services.
- paid cash wages of \$20,000.00 or more to agricultural laborers in any quarter of the current or previous calendar year.
- paid cash wages of \$1,000.00 or more to domestic employees in any quarter of the current or previous calendar year.

Every employer liable under UI is required to complete a quarterly Employer's Contribution and Payroll Report (Contribution Report). This report is a record of the wages employers paid to individual workers. Wages paid are essential to determining the individual employee eligibility for UI and in calculating his/her weekly benefit amount. It also includes the employer's total wages paid and total taxable wages paid during the quarter covered by the report, which are the main factors used to determine the employer's UI tax rate and corresponding quarterly UI contribution. The taxable wage base is the portion of an employee's wage on which the employer must pay UI

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tax. **Table 1** summarizes the taxable wage base by calendar year for January 1, 2012 through December 31, 2014.

Calendar Year	Taxable Wage Base
2012	\$25,300.00
2013	26,000.00
2014	26,800.00

To allow employers to securely manage specific aspects of their UI accounts online, IWD developed My Iowa UI (MIUI), an online tax system. Using the MIUI system, employers are able to submit quarterly reports, calculate taxable wages and contributions, schedule payments, view historic account information, view and update account information, and receive electronic correspondence. Each employer is assigned an employer account number at the time its employer status is established.

IWD records the tax contributions paid by employers to their respective employer account. When a UI claim is filed against an employer, 100% of regular UI benefits and 50% of extended benefits paid to qualified separated employees are also posted to the applicable employer account. UI benefits paid are generally charged to the accounts of the claimant's base period employers in chronological order of employment beginning with the most recent. However, there are limited situations where UI benefits paid are not charged to a specific employer's account, but rather are deducted from the Unemployment Compensation Trust Fund.

Within 40 days after the close of each calendar quarter, IWD is required to send each employer a Statement of Charges, which summarizes the UI benefits posted to the employer's account. If an employer was not notified of the UI claim(s) against its account prior to receiving the Statement of Charges, the employer can appeal the eligibility of the claimant(s) for UI benefits. The appeal must be submitted in writing to IWD within 30 days of the date IWD mailed the Statement of Charges.

According to the "Facts About Unemployment Insurance" handbook, there are 18 eligibility requirements for claimants to receive benefits. Individuals must:

- be totally or partially unemployed,
- have worked and earned a certain amount of wages in work covered by UI in the last 15 to 18 months,
- have lost their job through no fault of their own,
- be able to work and available for work,
- be actively seeking work by in-person contact with employers, unless approved to send resumes by IWD,
- be registered for work unless waived,
- keep a record of work search contacts and provide a copy upon request,
- report any job offers or referrals refused,
- report if they quit or are fired from any job while claiming benefits,
- notify IWD if for any reason they move or leave the area for more than 3 working days,
- report all earnings before deductions when earned not when paid,
- notify IWD if they are currently enrolled or start school,

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- notify IWD if they are receiving a private pension or workers' compensation,
- understand if it becomes necessary for IWD to conduct a fact-finding interview to determine eligibility for benefits, they will be mailed a notice with the date and time of the interview,
- understand if a decision on any issue of eligibility for UI is appealed, the UI claim becomes public record,
- understand UI benefits are fully taxable income for federal and state income taxes,
- understand they may choose to have income taxes withheld from the benefit payment, and
- understand attempting to claim and receive benefits fraudulently can result in loss of benefits, repayment of benefits, fines, or imprisonment.

Individuals applying for UI may do so via the internet, through their employer, or in person at a Workforce Development Center. Currently, there are 19 IowaWORKS Centers located in cities across the state. In addition, the UI Division maintains a central office in Des Moines which approves and processes UI claims, maintains all supporting documentation submitted, and performs limited verification procedures on active claimants.

To receive UI/EUC payments for which they are qualified, claimants must file a weekly UI claim with IWD via the internet or by touch-tone telephone. To submit their UI claim, claimants must indicate:

- whether they worked during the week for which they are claiming benefits and if the work was considered self-employment,
- the gross wages for the week,
- their current work status (i.e., still working, laid-off, fired, or quit),
- any holiday pay, vacation pay, severance, wages in lieu of notice, and/or separation or dismissal pay received,
- any private pension or military retirement received,
- whether they were ready, willing, able, and available for work during the week for which they are claiming benefits,
- if they refused any job offers or job referrals,
- the number of employers contacted, and
- at least 2 of the contacts made were in person.

Each claimant is required to make a minimum of 2 job contacts each week unless otherwise specified by IWD, including if the claimant is temporarily unemployed and expects to be recalled by the former employer in a reasonable period of time or if the claimant is in school or a training program. Job contacts must be made in person, via the internet, through on-line applications, mail, or faxing resumes. Telephone calls are not acceptable. The claimant is required to keep a record of the job contacts, including date of the contact, company name, address, phone number, and the name of the person contacted. In addition, the claimant must be prepared to provide the record to IWD personnel upon request. However, no additional verification procedures are performed on the information submitted electronically by the claimant. See **Finding A**.

Most claimants receive UI payments through deposits to the Iowa EPPICard, a pre-paid debit card, unless direct deposit to a bank account is requested. In addition, a small percentage of claimants receive State warrants.

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All new UI claims filed are compared to the records of the Social Security Administration (SSA), with 3 possible outcomes:

- “Clean” – The individual’s date of birth, social security number (SSN), and name are an exact match to SSA’s records.
- “Soft Flags” – The individual’s date of birth and SSN match SSA’s records; however, the individual’s name is not an exact match, such as, a male listed in SSA’s records as James filing his UI claim as Jimmy. These UI claims are typically processed because a valid concern was not identified.
- “Major Issue” – Either the individual’s date of birth or SSN does not match SSA’s records. The UI claim is then flagged for immediate follow-up.

In addition, SSA notifies IWD if an SSN has been reported as a deceased individual. New UI claims are reviewed by IWD personnel and notifications are sent to the employers in the event the employers wish to appeal the UI claim. Also, all active UI claims are compared to the state and national directories of new hires each week to determine if a claimant has returned to the workforce. However, there is no assurance the directories are complete. For example, if an individual is laid off seasonally, the employer may not report them as a new hire when he/she returns to work. As a result, the individual would not be included in the state or national directory. See **Finding A**. If the comparison identifies a claimant who has returned to work, the UI claim is flagged and assigned to an IWD investigator at the discretion of the UI Program Integrity Bureau Chief. See **Finding B**.

To provide further scrutiny of UI payments, a quarterly comparison is performed of reported wages from employers to the number of weeks claimed by an individual. The employers provide wages by employee and each employee’s SSN, which is compared to the claimant’s SSN recorded in the UI system. However, not all claimants are included in this comparison. See **Finding B**. According to a representative of IWD, the criteria for this comparison were established at the discretion of the former UI Investigations Manager. However, the representative further stated the comparison is often based on claimants who claimed and received 5 weeks of UI benefits in a calendar quarter who also received \$1,000.00 or more in wages reported by employers in that same quarter. See **Finding B**.

IWD also does a quarterly wage cross-match audit with other states. IWD checks UI claims paid against other states’ wage reporting systems. If an individual received UI benefits in Iowa but also received concurrent wages for the same time period in another state, a notice is sent to the out-of-state business to verify the individual’s employment. The wage cross-match audits are completed after the subsequent quarter is closed. For example, the first quarter of the calendar year is audited in July of that year.

However, not all UI claims identified as a result of the quarterly comparisons are investigated. During the period reviewed, the former UI Investigations Manager reviewed the list, determined which UI claims to investigate and assigned those UI claims to an IWD investigator. This review is now performed by the UI Program Integrity Bureau Chief. In addition, according to a representative of IWD, the quarterly comparison of reported wages relies heavily on the information returned from the employers. Because there is no penalty to employers for not providing the information to IWD, many employers do not respond to IWD’s request. See **Finding B**.

IWD also sends a Notice of Claim to the employer against whom a UI claim has been filed. The Notice of Claim documents the name of the individual filing the UI claim, the wages reported for the employer, and the reason for the UI claim. It is the employer’s responsibility to either validate or dispute the individual’s claim. If there is a dispute, the employer contacts IWD to initiate a fact-finding investigation, including telephone interviews with both the employer and the claimant.

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If a claimant receives benefits he/she is not entitled to, the claimant is liable for repayment of those benefits. According to the “Facts About Unemployment Insurance” handbook, IWD will recover the overpayment by requesting repayment from the claimant, either in total or under an installment plan. The installment plan, approved by the former UI Investigations Manager during the period reviewed, is now approved by the UI Program Integrity Bureau Chief. However, if a claimant becomes eligible for additional UI benefits and he/she has an outstanding balance resulting from an overpayment, IWD deducts the overpayment from his/her weekly benefit payment. UI benefits cannot be paid on a subsequent UI claim until any previous overpayment is recovered. In addition, if a claimant has an outstanding balance resulting from an overpayment of at least \$50.00, IWD can garnish the individual’s State of Iowa tax refund, any lottery winnings, or other vendor payments. If IWD determines the overpayment results from a fraudulent UI claim, a lien may be filed against the claimant’s property and/or the claimant’s wages may be garnished.

According to representatives of IWD, during the period we reviewed, overpayments identified were designated as either “fraud” or “non-fraud” in the UI Benefits system at the discretion of the former UI Investigations Manager. In addition, IWD did not actively pursue repayment of overpayments identified as stated in the “Facts About Unemployment Insurance” handbook. See **Finding C**. Claimants could voluntarily repay any overpayments received through personal check or money order. If repayment is not received from the claimants, any outstanding overpayment balances may be recovered through offsetting the claimants’ State income tax refunds or subsequent UI claims, if any. In addition, IWD assessed penalties and interest for any overpayments designated as “fraud,” which could also be recovered from the claimants. In accordance with Federal regulations, IWD was unable to offset any penalties and/or interest assessed against State income tax refunds or subsequent UI claims.

In March 2013, IWD entered into an agreement with Pondera Solutions (Pondera), a vendor using Google analytics to identify potential risks within UI. The system implemented by Pondera does not determine the validity of the potential risks identified. It is IWD’s responsibility to investigate and determine if the risks identified are valid and what, if any, additional action is needed. In addition, Pondera’s system analyzes the data provided by IWD to identify potential risks. As a result, IWD must ensure the accuracy of the data entered into both the MIUI and UI Benefits systems.

Pondera developed 85 different alerts which may indicate fraudulent activity, including multiple claimants using the same address, incarcerated individuals filing for unemployment, or a significant number of UI claims filed against a new business shortly after it’s established. IWD selects which of the alerts are activated on the MIUI and UI Benefits systems. IWD recently formed a team to investigate the information provided by Pondera. According to representatives of IWD, although Pondera’s system was being used for certain alerts, it was not fully functioning as of May 2015. According to IWD personnel we spoke with, IWD has continued to work with Pondera to improve the reports and functionality of the program.

Identification and Notification

On April 23, 2013, an IWD employee determined several Notices of Claim were returned for Mistie Kubit, employer account #5282xx, and Sheena Carpenter, employer account #5283xx. The employee queried the MIUI system to obtain an updated address for Mistie Kubit and determined a significant outstanding balance was owed on the account. In addition, she determined the Contribution Reports for all 4 quarters were submitted on April 6, 2013. As a result, she contacted an IWD Field Auditor to verify the Iowa City address on file for Mistie Kubit’s employer account. However, when the Field Auditor performed a physical check, he found no such address in Iowa City. Because the employer could not be located, the IWD employee queried the UI Benefits system and determined a UI claim was filed for each SSN listed in the Contribution Reports submitted for Mistie Kubit, which was scheduled to be paid on April 26, 2013. The UI claims were filed beginning April 12, 2013, and all payments were to be issued to an Iowa EPPICard. In addition, all UI claims listed the last day worked as April 5, 2013; however, the

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Report to Determine Liability was filed April 2, 2013. At this point, the employee notified the former UI Investigations Manager.

A similar query was performed on Sheena Carpenter's employer account with similar results. The Report to Determine Liability was filed April 3, 2013, and all 4 quarters' Contribution Reports were submitted on April 4, 2013. A UI claim was filed for each SSN listed in the Contribution Reports. Half of the UI claims listed the last day worked as April 5, 2013 and half listed the last day worked as April 12, 2013. All UI claims chose the Iowa EPPICard as the method of payment.

The SSNs listed on the UI claims filed against both the Mistie Kubit and Sheena Carpenter employer accounts were validated through the comparison with the SSA's records. The 30 UI claims filed were also included in the quarterly wage cross-match audit with other states, which indicated the SSNs used had concurrent full-time wages in Michigan, Ohio, and Tennessee. As a result, the 30 UI claims identified were placed in "contest status," and a notice was mailed to each claimant at the address listed on the UI claim requesting proof of identity. If proof was not provided, the UI claim would be cancelled by IWD.

The former UI Investigations Manager notified the former Chief Operations Officer (COO) of the concerns identified. Prior to April 20, 2015, the former COO was the Division Administrator of the UI Division. A meeting was scheduled between the former UI Investigations Manager, the former COO, and the Tax Operations Manager to determine data mining procedures to be performed to detect other similar employer accounts, if any. As a result of the data mining, the Tax Operations team identified 4 other employer accounts with similar characteristics.

Of the 4 employer accounts identified, Ned Stein, employer account #5260xx, had 12 UI claims filed against it and Already Construction, employer account #5272xx, had 16 UI claims filed against it. The employer accounts were established, and all UI claims were filed, in early March 2013. With the former COO's approval, the 28 UI claims identified for these 2 employer accounts were frozen to prevent the issuance of additional payments. In addition, each of the 28 claimants was mailed a fact-finding notice to determine the validity of the UI claims. Similar to the SSNs listed on the Mistie Kubit and Sheena Carpenter employer accounts, the SSNs listed on the UI claims filed against Ned Stein and Already Construction were validated through comparison with the SSA's records. The results of the quarterly wages cross-match audit with other states showed 90% of the SSNs used on the 28 UI claims identified had concurrent full-time wages in other states, primarily in Ohio but also in Arizona, California, Georgia, Illinois, Kansas, and Nevada.

The remaining 2 employer accounts, Rose Clinton, employer account #5260xx, and Cheryl Wulff, employer account #5291xx, did not have any UI claims filed against them.

On May 2, 2013, the former IWD Director contacted the Office of Auditor of State regarding concerns certain UI payments were issued as the result of UI claims filed against fictitious employer accounts. According to the former Director, all suspicious accounts were frozen and both the U.S. Department of Labor Office of Inspector General (OIG) and the Division of Criminal Investigation (DCI) had been notified. We subsequently met with representatives from both OIG and DCI to discuss the concerns identified and documentation provided by IWD. During this meeting, the representative from OIG requested the Office of Auditor of State verify the "true loss" to IWD. As a result, the Office of Auditor of State reviewed IWD's financial management processes specifically for UI and performed the procedures detailed in the Auditor's Transmittal Letter for the period January 1, 2012 through January 13, 2015.

IWD Investigation of Fictitious Employers

IWD conducted an investigation to identify the UI claims processed and UI payments issued to claimants which were filed against the fictitious employer accounts identified. As previously stated, IWD's investigation identified 6 fictitious employer accounts for which the Contribution Reports for all 4 quarters were submitted simultaneously with no accompanying payment and UI claims were filed against shortly after the Contribution Reports were submitted, including:

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- Mistie Kubit, employer account #5282xx,
- Sheena Carpenter, employer account #5283xx,
- Ned Stein, employer account #5260xx,
- Already Construction, employer account #5272xx,
- Rose Clinton, employer account #5260xx, and
- Cheryl Wulff, employer account #5291xx.

We obtained the supporting documentation used by IWD during its investigation from DCI. However, when we began our procedures, we determined the 6 employer accounts identified had been removed from both the MIUI and UI Benefits systems. According to IWD personnel, they were instructed by the former COO to deactivate the employer accounts identified without explanatory notes. As a result, our testing was limited to the “screen shots” printed and provided by IWD and any information we could obtain from the UI Benefits system by querying each UI claim filed. See **Finding D**.

As a result of our review, we verified \$80,781.00 of UI benefits were improperly issued and deposited to an Iowa EPPICard for the UI claims filed against Ned Stein and Already Construction. However, based on a review of the transaction history obtained from the third-party administrator of the Iowa EPPICard, only \$73,948.15 of UI benefits was drawn by the claimants. Although an immaterial amount of balance inquiry fees were charged to the Iowa EPPICards, the majority of the transactions were ATM cash withdrawals. Because IWD identified the improper activity, the remaining \$6,832.85 balance on the Iowa EPPICards was frozen and recovered from the third-party administrator. In addition, IWD identified the other 4 fictitious employer accounts prior to issuing UI benefits.

Table 2 summarizes the wages reported for each of the 6 fictitious employer accounts identified, the UI benefits issued per the UI Benefits system, and the UI benefits drawn by the claimants per the transaction history provided by the third-party administrator. All UI benefits improperly issued and drawn for Ned Stein and Already Construction are listed in **Schedules 1** and **2**, respectively. Each of the 6 fictitious employer accounts identified is discussed in further detail in the following paragraphs.

Employer Accounts	Per UI Benefits System		
Employer Accounts	Wages Reported	UI Benefits Issued	UI Benefits Drawn
Mistie Kubit	\$ 709,316.00	-	-
Sheena Carpenter	771,356.99	-	-
Ned Stein	425,034.00	38,412.00	38,035.70
Already Construction	751,486.00	42,369.00	35,912.45
Rose Clinton	-	-	-
Cheryl Wulff	265,700.00	-	-
Total	\$ 2,922,892.99	80,781.00	73,948.15

Mistie Kubit – The Contribution Report for this employer listed 17 employees with a total payroll of \$709,316.00. However, as previously stated, procedures performed by IWD when the Notices of Claim were returned as undeliverable identified this employer as fictitious. As a result, IWD froze the 17 UI claims filed and designated them as contested, which prevented any improper UI benefits from being issued to individuals who claimed to have worked for this employer.

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Sheena Carpenter – The Contribution Report for this employer listed 14 employees with a total payroll of \$771,356.99. However, as previously stated, procedures performed by IWD when the Notices of Claim were returned as undeliverable identified this employer as fictitious. As a result, IWD froze the 14 UI claims filed and designated them as contested, which prevented any improper UI benefits from being issued to individuals who claimed to have worked for this employer.

Ned Stein – The Contribution Report for this employer listed 12 employees with a total payroll of \$425,034.00. A UI claim was filed for each of the 12 employees listed which was approved for payment by IWD. UI benefits approved and issued total \$38,412.00. As previously stated, IWD's Tax Operations team identified this employer as fictitious based on data mining procedures performed during the internal investigation. Although IWD froze the UI claims filed against this employer, the claimants had drawn \$38,035.70 from the Iowa EPPICards prior to identification. The remaining \$376.30 was recovered from the third-party administrator of the Iowa EPPICard.

Already Construction – The Contribution Report for this employer listed 16 employees with a total payroll of \$751,486.00. A UI claim was filed for each of the 16 employees listed. Of the 16 UI claims filed, 15 were approved for payment by IWD. Because supporting documentation was not maintained by IWD, we are unable to determine the reason the remaining claim was not approved. UI benefits approved and issued total \$42,369.00. As previously stated, IWD's Tax Operations team identified this employer as fictitious based on data mining procedures performed during the internal investigation. Although IWD froze the UI claims filed against this employer, the claimants had drawn \$35,912.45 from the Iowa EPPICards prior to identification. The remaining \$6,456.55 was recovered from the third-party administrator of the Iowa EPPICard.

During our review of the transaction histories, we identified 2 Iowa EPPICards which were credited with a purchase return. The purchase returns increased the Iowa EPPICard balances by \$20.00 and \$40.00, respectively. However, the original purchase was not made using the Iowa EPPICard. Crediting the purchase return to the Iowa EPPICard allowed the claimants to withdraw more cash from the cards than IWD issued in UI benefits. Because the purchase returns were not State funds, the additional \$18.18 and \$36.10, respectively, drawn from the cards are not included in the improper amount identified. The purchase returns were reduced by ATM fees.

Rose Clinton – This employer was identified by IWD as a fictitious employer when the Report to Determine Liability was filed to establish the employer account. No wages were reported for this employer and no UI claims were filed against it. IWD froze the employer account immediately upon determining it was a fictitious account.

Cheryl Wulff – The Contribution Report for this employer listed 7 employees with a total payroll of \$265,700.00. A UI claim was filed for each of the 7 employees listed. However, as previously stated, IWD's Tax Operations team identified this employer as fictitious based on data mining procedures performed during the internal investigation. As a result, IWD froze the 7 UI claims filed and designated them as contested, which prevented any improper UI benefits from being issued to individuals who claimed to have worked for this employer.

On September 2, 2014, IWD identified an additional 9 potential fictitious employer accounts which had UI claims filed against them by 16 individuals. With the former COO's approval, the 9 employer accounts identified were frozen, which prevented any improper UI benefits from being issued. Of the 16 SSNs listed on the UI claims submitted, 15 were validated through comparison with the SSA's records.

Around this same time, IWD identified 2 additional potential fictitious employer accounts. Edwards Electrician, employer account #5448xx, had UI claims filed against it by 9 individuals; however, this employer account was identified as fictitious and frozen prior to the issuance of any UI benefits. Home Healthcare of Iowa, LLC, employer account #5429xx, had UI claims filed against it by 7 individuals. In accordance with IWD policy, LLCs must be compared to the Business Entity Database maintained by the Iowa Secretary of State prior to issuance of any UI

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payments. Although this procedure was followed, the IWD employee performing the comparison failed to notice Home Healthcare of Iowa was listed as inactive. As a result, improper UI benefits were issued to the individuals filing the UI claims.

On September 9, 2014, a representative of IWD notified the Office of Auditor of State of the 11 additional fictitious employer accounts which had been identified. According to the IWD representative, the fictitious employer accounts identified had been frozen and the related UI claims were maintained on the UI Benefits system. IWD conducted an investigation to identify the UI claims processed and UI payments issued to claimants which were filed against the additional fictitious employer accounts identified. IWD's investigation confirmed 11 additional fictitious employer accounts were established for which the Contribution Reports for all quarters were submitted with no accompanying payment and UI claims were filed against shortly after the Contribution Reports were submitted, including:

- Allen Bookkeeping, employer account #5446xx,
- Bates Security Company, employer account #5446xx,
- Byrd Steel Work Co., employer account #5446xx,
- Field Trip Day Care Center, employer account #5446xx,
- Hinds Logistics, employer account #5446xx,
- Lagan Enterprise, employer account #5446xx,
- Smile's Adult Day Center, employer account #5446xx,
- Williams Inc., employer account #5446xx,
- Wright Consulting Firm, employer account #5446xx,
- Edwards Electrician, employer account #5448xx, and
- Home Healthcare of Iowa, LLC, employer account #5429xx.

We obtained the supporting documentation used by IWD during its investigation. However, when we began our procedures, we determined the 11 employer accounts identified had been removed from the MIUI system. As a result, our testing was limited to the "screen shots" printed and provided by IWD and any information we could obtain from the UI Benefits system by querying each UI claim filed. See **Finding D**.

As a result of our review, we verified \$18,232.00 of UI benefits were improperly issued and deposited to the bank accounts specified for the UI claims filed against Home Healthcare of Iowa, LLC. **Table 3** summarizes the wages reported by each of the 11 employer accounts identified and the UI benefits issued per the UI Benefits system. As illustrated by the **Table**, 9 of the 11 employer accounts identified reported wages of \$44,000.00 or a multiple of \$44,000.00. However, IWD did not have procedures in place to compare employer data and identify this characteristic as a potential risk. See **Finding A**.

Because the UI benefits issued were deposited to individual bank accounts, IWD does not have authority to recover any of the amounts deposited. All UI benefits improperly issued for Home Healthcare of Iowa, LLC are listed in **Schedule 3**. Each of the 11 fictitious employer accounts identified is discussed in further detail in the following paragraphs.

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Table 3

Employer Accounts	Per UI Benefits System	
	Wages Reported	UI Benefits Issued
Allen Bookkeeping	\$ 132,000.00	-
Bates Security Company	88,000.00	-
Byrd Steel Work Co.	88,000.00	-
Field Trip Day Care Center	44,000.00	-
Hinds Logistics	44,000.00	-
Lagan Enterprise	88,000.00	-
Smile's Adult Day Center	88,000.00	-
Williams, Inc.	88,000.00	-
Wright Consulting Firm	44,000.00	-
Edwards Electrician	568,598.00	-
Home Healthcare of Iowa, LLC	251,917.00	18,232.00
Total	\$ 1,524,515.00	18,232.00

Allen Bookkeeping – The Contribution Report for this employer listed 3 employees with a total payroll of \$132,000.00. However, this employer was identified as fictitious prior to the issuance of any UI benefits. As a result, IWD froze the 3 UI claims filed and designated them as contested.

Bates Security Company – The Contribution Report for this employer listed 2 employees with a total payroll of \$88,000.00. However, this employer was identified as fictitious prior to the issuance of any UI benefits. As a result, IWD froze the 2 UI claims filed and designated them as contested.

Byrd Steel Work Co. – The Contribution Report for this employer listed 2 employees with a total payroll of \$88,000.00. However, this employer was identified as fictitious prior to the issuance of any UI benefits. As a result, IWD froze the 2 UI claims filed and designated them as contested.

Field Trip Day Care Center – The Contribution Report for this employer listed an employee with a total payroll of \$44,000.00. However, this employer was identified as fictitious prior to the issuance of any UI benefits. As a result, IWD froze the UI claim filed and designated it as contested.

Hinds Logistics – The Contribution Report for this employer listed an employee with a total payroll of \$44,000.00. However, this employer was identified as fictitious prior to the issuance of any UI benefits. As a result, IWD froze the UI claim filed and designated it as contested.

Lagan Enterprise – The Contribution Report for this employer listed 2 employees with a total payroll of \$88,000.00. However, this employer was identified as fictitious prior to the issuance of any UI benefits. As a result, IWD froze the 2 UI claims filed and designated them as contested.

Smile's Adult Day Center – The Contribution Report for this employer listed 2 employees with a total payroll of \$88,000.00. However, this employer was identified as fictitious prior to the issuance of any UI benefits. As a result, IWD froze the 2 UI claims filed and designated them as contested.

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Williams, Inc. – The Contribution Report for this employer listed 2 employees with a total payroll of \$88,000.00. However, this employer was identified as fictitious prior to the issuance of any UI benefits. As a result, IWD froze the 2 UI claims filed and designated them as contested.

Wright Consulting Firm – The Contribution Report for this employer listed an employee with a total payroll of \$44,000.00. However, this employer was identified as fictitious prior to the issuance of any UI benefits. As a result, IWD froze the UI claim filed and designated it as contested.

Edwards Electrician – The Contribution Report for this employer listed 9 employees with a total payroll of \$568,598.00. However, this employer was identified as fictitious prior to the issuance of any UI benefits. As a result, IWD froze the 9 UI claims filed and designated them as contested.

Home Healthcare of Iowa, LLC – The Contribution Report for this employer listed 7 employees with a total payroll of \$251,917.00. A UI claim was filed for each of the 7 employees listed which was approved for payment by IWD. UI benefits approved and improperly issued total \$18,232.00. As previously stated, according to a representative of IWD, an employee oversight resulted in the employer not being identified as fictitious immediately. After the employer account was identified as fictitious, the UI claims filed were frozen and designated as contested.

In December 2014, in response to an inquiry made during fieldwork, IWD provided additional supporting documentation regarding the 11 fictitious employer accounts previously identified. As part of the documentation provided, IWD inadvertently included supporting documentation for 3 additional potential fictitious employer accounts which had been identified. However, we were not formally notified. Of the 3 additional potential fictitious employer accounts identified, UI claims had been filed against 2 at the time they were identified. In addition, 2 of the 3 employer accounts were frozen prior to the issuance of any UI benefits. IWD conducted an investigation to identify the UI claims processed and UI payments issued to claimants. The 3 employer accounts identified include:

- Valley Thrift, LLC, employer account #5458xx,
- Freemont Construction, LLC, employer account #5465xx, and
- Hall Trucking Service, employer account #5468xx.

We obtained the supporting documentation used by IWD during its investigation. However, when we began our procedures, we determined the 3 employer accounts identified had been removed from the MIUI system. As a result, our testing was limited to the “screen shots” printed and provided by IWD and any information we could obtain from the UI Benefits system by querying each UI claim filed. See **Finding D**.

As a result of our review, we verified \$13,728.00 of UI benefits were improperly issued and deposited to an Iowa EPPICard for the UI claims filed against Hall Trucking Service. However, based on a review of the transaction history obtained from the third-party administrator of the Iowa EPPICard, only \$4,939.14 of UI benefits was drawn by the claimants. Because IWD identified the improper activity, the remaining \$8,788.86 balance on the Iowa EPPICards was frozen and recovered from the third-party administrator.

Table 4 summarizes the wages reported by each of the 3 employer accounts identified, the UI benefits improperly issued per the UI Benefits system, and the UI benefits drawn by the claimants per the transaction history provided by the third-party administrator. All UI benefits improperly issued and drawn for Hall Trucking Service are listed in **Schedule 4**. Each of the 3 fictitious employer accounts identified is discussed in further detail in the following paragraphs.

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Table 4

Employer Accounts	Per UI Benefits System		
	Wages Reported	UI Benefits Issued	UI Benefits Drawn
Valley Thrift, LLC	\$ 292,400.00	-	-
Freemount Construction, LLC	-	-	-
Hall Trucking Service	950,445.00	13,728.00	4,939.14
Total	\$ 1,242,845.00	13,728.00	4,939.14

Valley Thrift, LLC – The Contribution Report for this employer listed 3 employees with a total payroll of \$292,400.00. However, this employer was identified as fictitious prior to the issuance of any UI benefits. As a result, IWD froze the 3 UI claims filed and designated them as contested.

Freemount Construction, LLC – This employer was identified by IWD as a fictitious employer when the Report to Determine Liability was filed to establish the employer account. No wages were reported for this employer and no UI claims were filed against it. IWD froze the employer account immediately upon determining it was a fictitious account.

Hall Trucking Service – The Contribution Report for this employer listed 11 employees with a total payroll of \$950,445.00. A UI claim was filed for each of the 11 employees listed, and all the UI claims filed were approved for payment by IWD. UI benefits approved and issued total \$13,728.00. Although IWD identified this employer as fictitious and froze the UI claims filed against it on December 18, 2014, the claimants had drawn \$4,939.14 from the Iowa EPPICards prior to identification. The remaining \$8,788.86 was recovered from the third-party administrator of the Iowa EPPICard.

Improper UI benefits issued for the 20 fictitious employer accounts identified total \$112,741.00. Of that amount, \$94,509.00 was issued on Iowa EPPICards but only \$78,887.29 was drawn by the claimants. The difference of \$15,621.71 was recovered from the third-party administrator of the Iowa EPPICard once the fictitious employer scheme was identified. The remaining \$18,232.00 of improper UI benefits identified was deposited directly to the claimants' bank accounts and could not be recovered by IWD.

Review of Certain Employer Unemployment Insurance (UI) Accounts

As previously stated, IWD's investigation included all activity specifically related to the 20 fictitious employer accounts identified. However, the investigation did not review other transactions to determine if there were any additional improper UI payments issued or review the UI payment process to determine what, if any, improvements were needed to ensure UI benefits are properly disbursed. In addition, during discussions with IWD personnel, they stated it was their belief no system could be implemented to prevent a fictitious employer scheme from occurring; however, they felt established policies and procedures allowed them to promptly detect and properly react in the event a fictitious employer account was created. Therefore, as part of our procedures, we reviewed the UI application and payment process, as well as the procedures for employers submitting information through the MIUI system.

Because the Iowa EPPICards identified during IWD's investigation were issued to claimants with addresses outside the State of Iowa, we requested transaction history for all Iowa EPPICards issued to claimants with addresses outside the State of Iowa for the period January 1, 2008 through October 31, 2013. We received a spreadsheet from the third-party administrator of the Iowa EPPICard which was then merged by IWD personnel with the UI Benefits system. Based on a review of the merged spreadsheet provided by IWD, we identified certain UI claims and/or UI

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claim patterns for which we obtained additional information. Of those, we selected a number of claimants for each pattern identified for testing, including:

- UI claims with out-of-state wages,
- Iowa EPPICards issued to out-of-state addresses for UI claims which only included in-state wages, and
- duplicate cards issued to the same claimant.

In addition, through our review of IWD's investigation and discussions with IWD personnel, we identified certain similarities among the 20 fictitious employer accounts identified, including:

- no UI tax contributions made but employees filed UI claims,
- UI claims filed by employees within 90 days of the date the employer account was established, and
- contribution reports for all 4 quarters filed simultaneously.

We requested IWD query the MIUI system to identify employer accounts with these characteristics, and we received a spreadsheet from IWD as a result of that query. According to IWD personnel, generating the queries was difficult because the MIUI and UI Benefits systems are not compatible and data was needed from both systems to compile the information requested. See **Finding E**.

Based on a review of the spreadsheet provided by IWD, we selected a number of employer accounts and the corresponding UI claims filed against the employer accounts for each pattern identified for testing. The employer accounts and UI claims selected were reviewed to determine the validity of the employer accounts and UI claims and to determine UI benefits were properly issued and allocated to the correct employer accounts.

Validity of the employer accounts was determined by reviewing the Contribution Report for wages reported, quarterly contributions made, and UI benefits charged against them. We also reviewed any unusual activity identified, such as negative UI benefits charged, significant contributions owed to IWD, or significant credit balances, for propriety. Validity of the UI claims was determined by reviewing the individual UI claims filed against the employer accounts identified. For example, if a claimant reported wages of \$10,000.00 on his/her UI claim, we traced the wages reported to the "employer screen" within the MIUI and UI Benefits systems to verify the reported wages agreed. We also verified the wages reported on the claim were used as the basis for calculating the UI benefits awarded to the claimant.

Based on discussions with IWD personnel, there are several legitimate reasons for a UI claim to be terminated and UI benefits not to be issued, such as the individual:

- was terminated due to misconduct on the job,
- was not able and available to work,
- refused work or was in a labor dispute, such as an employee working on third shift who refused to transfer to second shift after third shift is eliminated,
- was deemed ineligible by IWD,
- voluntarily quit the position with the employer,
- was denied for the second year of the UI claim, or
- did not have sufficient earnings at the employer to be eligible.

After we started testing the selected employer accounts and UI claims, we determined the queries had not been properly processed by IWD personnel, which resulted in inaccurate data. We requested the queries a second time; however, shortly after providing the second set of queries, we

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were notified by IWD's Information Technology (IT) personnel those queries were also incorrect. IWD personnel subsequently sent a third set of queries, which also contained inaccuracies. This was taken into consideration when evaluating the results of our testing. See **Finding E**.

We reviewed the electronic supporting documentation maintained for each employer account, claimant, and UI claim selected and did not identify any additional improper UI payments. However, we identified several concerns as the result of the procedures performed, which are discussed in the following paragraphs.

Iowa EPPICards Issued Outside the State of Iowa – We combined the data provided for UI claims with out-of-state wages and Iowa EPPICards issued to out-of-state addresses with only in-state wages and selected 30 claimants with out-of-state wages and 30 claimants with only in-state wages to determine the validity of the UI claims. In addition, we attempted to trace the UI benefits charged per the UI Benefits system to the merged spreadsheet provided by IWD. However, because some of the UI claims selected were active UI claims at the time of review, the UI benefits paid per the UI Benefits system did not always agree to the UI benefits paid per the merged spreadsheet provided by IWD. Therefore, we totaled the UI benefits paid per the UI Benefits system through February 4, 2014, the date IWD merged the data, and determined the UI benefits paid agreed with the merged spreadsheet at that point in time.

Duplicate Cards Issued – For claimants receiving duplicate cards, we selected 15 claimants with out-of-state wages and 15 claimants with only in-state wages to determine the validity of the UI claims. In addition, we attempted to trace the UI benefits charged per the UI Benefits system to the merged spreadsheet provided by IWD. However, as previously stated, because some of the UI claims selected were active claims, the UI benefits paid did not always agree. We totaled the UI benefits paid per the UI Benefits system through February 4, 2014 and determined the UI benefits paid agreed with the merged spreadsheet at that point in time.

No UI Tax Contributions – We reviewed the query provided by IWD and compared the employer accounts listed as having no UI tax contributions but UI claims filed against them to the MIUI system. Based on this comparison, we determined a significant number of the employer accounts included in the query did not appear to have the defined characteristics. According to IWD personnel, because the MIUI and UI Benefits systems are not compatible, UI claims filed against an employer are not reflected on the MIUI system unless the UI benefits paid are charged against that employer. For example, if an employee files a UI claim but the employer is not found liable or the UI claim is denied, the UI claim would not be recorded in the MIUI system. However, it would be recorded in the UI Benefits system.

Considering this information, we selected 2 sets of employer accounts for testing. We selected 15 employer accounts which matched the defined characteristics and 15 employer accounts which did not. Of the 15 employer accounts which appeared to be properly included in the query, we determined 7 of the 15 should not have been included because there were no UI claims filed against them. In addition, although the remaining 8 employer accounts had the defined characteristics, they were not included in the second query provided by IWD.

As previously stated, we were provided a third query by IWD; however, the data still contained inaccuracies. As a result, we selected 20 additional employer accounts which did not appear to have the defined characteristics. Of those, we determined 10 of the 20 should not have been included in the query provided by IWD because there were no UI claims filed against them. See **Finding E**.

For the 18 employer accounts identified which had UI claims filed against them, we reviewed the validity of the UI claims as discussed in the previous paragraphs.

UI Claims Filed Within 90 Days – We reviewed the query provided by IWD and compared the employer accounts listed as having UI claims filed against them within 90 days of establishing their account to the MIUI system. Based on this comparison, we determined a significant number

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of the employer accounts included in the query did not appear to have the defined characteristic. As previously stated, because the MIUI and UI Benefits systems are not compatible, UI claims filed against an employer are not always reflected in the MIUI system. In addition, we identified numerous employer accounts with outstanding balances owed to IWD, blank quarterly reports, and credit balances.

Considering this information, we selected 5 sets of employer accounts for testing, as follows:

- 16 with outstanding balances owed to IWD,
- 15 which matched the defined characteristics,
- 15 which did not match the defined characteristics,
- 14 with credit balances, and
- 2 which had blank quarterly reports.

As previously stated, we were provided a third query by IWD which still contained inaccuracies. As a result, we selected 19 additional employer accounts which did not appear to have the defined characteristics. We identified several concerns with the queries provided by IWD. See **Finding E**. The concerns identified are summarized below:

- Of the 15 employer accounts selected which appeared to be properly included in the query, we determined an employer account should not have been included because there were no UI claims filed against it. In addition, 5 of the 15 employer accounts which appeared to be properly included in the first query were not included in the second query. IWD was unable to explain why they were not included in the second query.
- Of the 19 additional employer accounts selected, we determined 7 should not have been included in the query provided by IWD because there were no UI claims filed against them.
- The 2 employer accounts with blank quarterly reports had no UI claims filed against them. IWD was unable to explain why they were included in the query.
- Already Construction, a fictitious employer account identified by IWD, should have been included in the query but was not. IWD was unable to explain why it was not included.

For the employer accounts identified which had UI claims filed against them, we reviewed the validity of the UI claims as discussed in the previous paragraphs.

Contribution Reports Filed Simultaneously – We reviewed the query provided by IWD and compared the employer accounts listed as having contribution reports filed simultaneously to the MIUI system. Based on this comparison, we determined the contribution reports for a significant number of the employer accounts listed had been filed by IWD personnel, not the employers. According to representatives of IWD, during the period we reviewed, IWD allowed employers to file hard copy contribution reports which IWD personnel then submitted electronically. However, this resulted in a significant backlog which caused the submission date of the contribution reports to be inaccurate. The IWD representatives also stated the backlog has now been eliminated and all employers are required to file the contribution reports electronically.

Because the concern related to employers who filed all their quarterly contribution reports simultaneously, we selected 30 employer accounts which were filed electronically by the employer. We did not test any of the contribution reports filed by IWD personnel. We also compared the fictitious employer accounts identified by IWD to the query and determined the employer account for Ned Stein was not included in the query. IWD was unable to explain why it was not included. See **Finding E**. In addition, during our review of the query, we identified 9 employer accounts

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with outstanding balances owed to IWD of \$97,000.00 or greater, which were also selected for testing.

For the employer accounts identified which had UI claims filed against them, we reviewed the validity of the UI claims as discussed in the previous paragraphs.

As a result of the testing performed for the 90 claimants and 161 employer accounts selected, we determined the following:

- As previously stated, IWD performs limited verification procedures on active claimants. However, during the period we reviewed, IWD had no process to investigate claimants using the same mailing address, e-mail address, or phone number to determine the validity of multiple UI claims filed by a group of individuals. See **Finding A**.
- IWD did not have a sufficient process in place to investigate the validity of employer addresses. See **Finding A**.
- The listing of delinquent employer accounts was not accurate due to the significant backlog of contribution reports and issues with the MIUI system. See **Finding A**.
- 44 UI claims approved for payment by IWD were issued in error, resulting in net overpayments of \$66,162.49 at the time testing was performed. Of the 44 UI claims identified, 38 were designated as “non-fraud” in the UI Benefits system. However, we determined a majority of the claimants had either voluntarily quit or were terminated for misconduct. As a result, they were not eligible to receive UI benefits. See **Finding C**.
- For 8 of the 90 claimants selected, the amount paid per the UI Benefits system does not match the amount paid per the query provided by IWD. See **Finding E**.
- Prior to January 2013, IWD was unable to process manual wage adjustments in the MIUI system. During the period reviewed, employee wages for 3 employer accounts did not agree between the MIUI and UI Benefits systems. In addition, supporting documentation for the manual wage adjustments recorded in the UI Benefits system was not maintained for 2 of the 3 employer accounts. See **Finding F**.
- 9 employer accounts have significant outstanding balances owed to IWD, ranging from approximately \$97,000.00 to \$4.1 million. In addition, we identified an employer account which had a significant credit balance of approximately \$10.3 million related to an employer which is no longer in business. According to a representative of IWD, issues encountered when the MIUI system was implemented resulted in the inability to notify employers with outstanding balances. In addition, due to the significant backlog in processing contribution reports, penalties and interest were assessed to employer accounts which did not appear to have filed timely. See **Finding G**.
- 7 UI claims included UI payments issued to claimants which did not mathematically agree with the electronic supporting documentation maintained in the UI Benefits system. See **Finding H**.
- A UI claim included UI payments which did not agree between the UI Benefits system and the merged spreadsheet provided by IWD. However, when IWD personnel provided the payment history for the claimant, it agreed with the merged spreadsheet provided. See **Finding H**.
- An employer account was inadvertently linked to a significant number of UI claims because the MIUI system randomly assigned the business name to employer account #0, which does not exist. According to IWD representatives, they are unsure of the reason for the error. Although the error has been resolved, IWD did not correct the UI claims affected. See **Finding I**.
- An employer included in the MIUI system reported wages and had UI claims filed against it which were approved for payment by IWD. However, IWD subsequently

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determined the employer was based in Missouri and had no locations or employees working in Iowa. Therefore, all wages and related UI claims should have been reported and filed through the State of Missouri. IWD is currently in the process of recovering the UI benefits paid from the State of Missouri and removing the employer account from the MIUI system. See **Finding J**.

- An employer account included employee wages which did not agree between the MIUI and UI Benefits systems because an employee's SSN was inadvertently listed on a different claimant's account. When the claimant filed a UI claim, this error caused the claimant's UI benefits to be calculated based on the total of his wages and the other employee's wages, resulting in higher UI benefits being approved by IWD. Although the issue with the SSN was resolved, IWD did not pursue recovery of the overpayment. See **Finding K**.

As previously stated, in order to identify potential risks within UI, IWD entered into an agreement with Pondera. Based on discussions with representatives of IWD regarding the use of the system implemented by Pondera, we identified the following concerns:

- Although IWD is now able to verify an employer's federal employer identification number (FEIN) exists, there is still no procedure in place to validate the FEIN corresponds to the business named. IWD does not have the ability to match data against records maintained by the Internal Revenue Service. See **Finding A**.
- As previously stated, the system implemented by Pondera does not determine the validity of the potential risks identified. It is IWD's responsibility to investigate and determine if the risks identified are valid. No formal method has been established to determine which risks will be investigated further. See **Finding A**.
- The system implemented by Pondera does not ensure the accuracy of the data provided by IWD. At a demonstration hosted by Pondera for various state agencies, Pondera representatives stated validated client information is not expected. However, they emphasized the information provided to the client has been verified using public records and credit bureau databases. It is the client's responsibility to ensure the data provided to Pondera is accurate and perform appropriate follow-up procedures on the information provided by the Pondera system. See **Finding A**.

March 8, 2014 Benefit Week Overpayments

On Saturday, March 8, 2014, IWD experienced a technical difficulty with its telephone system which impacted the March 8 UI benefit week. As previously stated, claimants must file a weekly UI claim via the internet or by touch-tone telephone to receive UI payments for which they are qualified. When working properly, IWD's telephone system records the claimants' answers to the UI claim questions. However, on March 8, IWD's telephone system did not record any of the calls received from claimants.

IWD discovered the error through 2 separate means. The former COO received daily reports from IWD's IT summarizing the UI payments to be issued. According to the former COO, his expectation for March was approximately \$10 million; however, the report he received on Monday, March 10 totaled approximately \$2 million. In addition, IWD's Customer Service began receiving calls from claimants on Monday, March 10 stating they filed their UI claims on Saturday, March 8; however, there was no record of their UI claim when they called the telephone system again to determine the UI benefit they would receive. As a result of the concerns identified, IWD upper management requested IWD's IT determine what happened. When specifically asked who was involved in the decision-making, the IWD representatives we spoke with would not provide a direct answer.

IWD's IT determined the telephone system malfunctioned through no fault of the claimants. As a result, IWD upper management decided to pay each claimant who filed a UI claim on March 1 his/her respective maximum weekly UI benefits for the claim filed on March 8. IWD's IT

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processed a system override which was listed as “Manbatch” in the UI Benefits system. To ensure the UI benefits payments were not delayed, the former Director worked closely with personnel from the Department of Administrative Services and the State Treasurer of Iowa to expedite issuance of the payments.

By processing a system override, IWD personnel completed the UI claim questionnaire for all claimants, which is not in compliance with IWD’s policies. See **Finding L**. According to discussions with several IWD employees, they have been instructed to not complete UI claim questionnaires for claimants. Although Customer Service representatives and IWD Advisors may assist a claimant in understanding what information is needed, they cannot answer the questions for the claimant. **Table 5** summarizes the questions to be answered when filing a UI claim and the responses provided by IWD’s IT.

Question	Response
Did you work this week?	No
Were you able to work?	Yes
Were you available to work?	Yes
How many job contacts did you make this week?	9**
Did you have any wages during the week?	0^^

** - The maximum number which can be entered to ensure all UI claims were processed regardless of the individual requirements of the claimants.

^^ - No wages were entered to ensure all claimants received their maximum weekly UI benefit.

During the weeks following March 8, IWD began receiving telephone calls from claimants who received UI benefits in error. According to representatives of IWD, they informed the claimant the UI payment was issued due to an IWD error, and he/she was not responsible for repayment. In accordance with instructions from the former UI Investigations Manager, all telephone calls related to this issue were to be directed to him. If a claimant was adamant they repay the UI benefit received as a result of the March 8 malfunction, IWD accepted the repayment and processed the necessary credit to the affected employer account(s).

However, we determined there was no formal tracking of the claimants who repaid the UI benefits received in error or the credits made to the related employer accounts. In addition, for those claimants who did not repay the UI benefits received in error, the employer accounts affected were not credited for any of the erroneous UI benefits. See **Finding M**.

Upon retirement, a former IWD Internal Investigator contacted the Senate Government Oversight Committee (Committee) with concerns regarding how the March 8 malfunction was handled. As a result, the former Director, the former COO, the former UI Investigations Manager, and 2 Internal Investigators were called before the Committee to testify on August 27, 2014 regarding the March 8 UI claims. The former Director, the former COO, and the former UI Investigations Manager testified the March 8 UI benefits overpayments were limited to 85 claimants who received erroneous UI benefits totaling \$27,000.00. When a Committee member inquired about the certainty of that amount, the former UI Investigations Manager stated he knew that number and amount to be true because those claimants had contacted IWD regarding receiving UI benefits in error. In addition, the former Director testified IWD knew exactly how many claimants had reported the error, and there was no reason to think there were more. She further stated she based her calculation on IWD IT. However, the 2 Internal Investigators testified they believed the overpayments within their respective regions exceeded the \$27,000.00 previously testified to by other IWD personnel.

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IWD did not notify the Office of Auditor of State regarding the erroneous UI benefits issued for the March 8 UI claims as required by the section 11.2(2) of the *Code of Iowa*. After IWD personnel testified before the Committee, we met with the former COO and the former UI Investigations Manager to gain an understanding of the malfunction which had occurred March 8. At the time of our discussion, IWD was in the process of generating a query to assist in determining a more accurate overpayment amount for the March 8 UI claims. According to the former UI Investigations Manager and the former COO, they decided to perform additional procedures because they expected follow-up questions from the Committee.

Through discussions with the former UI Investigations Manager and the former COO, we confirmed there was no formal tracking process or supporting documentation for the number of claimants or the total UI benefits overpayments reported to the Committee. According to the former COO, he was never provided any supporting documentation because it was handled by the former Director and the former UI Investigations Manager. When asked, the former UI Investigations Manager stated he did not maintain a listing, but rather accumulated a stack of “screen shots” on his desk, which were printed from the affected claimants’ UI accounts. After a few weeks, he provided the printed “screen shots” to another employee to process credits for the employer accounts affected.

To isolate the claimants who potentially received an overpayment, IWD’s IT generated a spreadsheet listing all claimants receiving a payment for a March 8 UI claim. The spreadsheet was then reviewed for employers who reported wages paid to the claimants for the week prior to and the week after March 8. If a claimant was fully unemployed both the week before and after March 8, IWD assumed the claimant was fully unemployed for March 8 also. Because the payments were made for the maximum weekly benefits, UI payments issued to fully unemployed claimants were not affected. Of the approximately 30,000 claimants for March 8, IWD determined 2,917 claimants were partially unemployed. They received wages but were working reduced hours and were eligible for reduced UI benefits. According to representatives of IWD, these claimants were most likely to receive an overpayment for March 8.

The former UI Investigations Manager, with limited assistance from the former COO and the Bureau Chief of UI Benefits, reviewed the UI payment issued to each of the 2,917 claimants identified to determine its propriety. Based on their review, they determined 369 of the 2,917 claimants received proper UI benefits payments for March 8. The remaining 2,548 claimants were categorized as follows:

- Overpayment – These claimants received an overpayment for March 8 as a result of the telephone system malfunction. According to a representative of IWD, these UI payments were tracked by IWD, and the necessary information was provided to an IWD employee to process a credit to the employer accounts affected.
- Fraud Exception – These claimants consistently underreported their wages during the first quarter of 2014, resulting in the issuance of UI benefits they were not entitled to. Because these overpayments did not result from the telephone system malfunction, IWD did not consider these to be overpayments and did not track the overpayments issued based on the fraudulent reporting of wages by claimants.
- No Cross-Match Response – IWD was unable to determine if an overpayment was issued to these claimants for March 8 because the employer did not respond to the cross-match request sent for the first quarter of 2014.
- No Cross-Match Request Sent – IWD was unable to determine if an overpayment was issued to these claimants for March 8 because a cross-match request was not sent to the employer for the first quarter of 2014. In accordance with IWD’s policy, the claimant must have received 5 weeks of UI benefits and had over \$1,000.00 of wages reported for the quarter in order to send a cross-match request to an employer. These claimants did not meet these criteria.
- No Error – These claimants were not affected by the telephone system malfunction because they resubmitted their UI claim. Certain claimants called to check the status

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of their claim. When they realized their UI claim had not been filed, they resubmitted their UI claim which was then properly captured by the UI Benefits system. As a result, these claimants received the proper UI benefits based on the wages they reported.

Table 6 summarizes the number of claimants identified for each category and the resulting overpayments identified by IWD.

Category	Claimants	Amount
Overpayment	448	\$ 96,102.00
Fraud Exception	368	-
No Cross-Match Response	441	-
No Cross-Match Request Sent	590	-
No Error	701	-
Total	2,548	\$ 96,102.00

Because there was a significant difference between the 85 claimants and the \$27,000.00 of overpayments reported to the Committee during testimony and the 448 claimants and the \$96,102.00 of overpayments identified by IWD's review of the query for March 8, we selected the following number of claimants for testing:

- 100% of the 448 claimants receiving March 8 overpayments,
- 100% of the 368 claimants identified by IWD as fraud exceptions,
- 10%, or 44, of the 441 claimants for whom no response to the cross-match request was received,
- 10%, or 59, of the 590 claimants for whom a cross-match request was not sent, and
- 10%, or 70, of the 701 claimants who received proper UI benefits.

In addition, we interviewed each of the Internal Investigators to gain an understanding of any guidance provided to them regarding the March 8 telephone system malfunction. Prior to meeting with the Internal Investigators, we informed the former UI Investigations Manager we intended to conduct the interviews and requested he inform them we would be contacting them to allow them to prepare any information they may have. During the interviews, we were informed the former UI Investigations Manager only notified certain Internal Investigators, but not all of them. Several Internal Investigators also stated they were instructed to keep their answers brief and not "offer any information up."

According to the Internal Investigators, as they performed their normal quarterly cross-match procedures, they were to disregard the March 8 overpayments and close the case generated by the UI Benefits system. They were not to carry the March 8 overpayments forward to the overpayment screen within the UI Benefits system, and they were not to credit the employer accounts affected by the overpayments. Several of the Internal Investigators also stated they voiced their concerns to IWD management regarding these instructions because they felt not crediting the affected employer accounts was not performing their duties properly.

We also determined through the interviews with the Internal Investigators the former COO requested all Internal Investigators track the March 8 overpayments they identified. However, the former COO and the former UI Investigations Manager previously told us no tracking was performed for the March 8 overpayments and, if any Internal Investigators tracked the overpayments, it was of their own accord. We obtained a copy of the e-mail sent by the former

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COO on Friday, August 27, 2014 to the former UI Investigations Manager and all Internal Investigators. A copy of the e-mail is included in **Appendix A**.

According to the Internal Investigators, the former UI Investigations Manager contacted them via conference call on Tuesday, September 2, 2014 and instructed them to no longer track the March 8 overpayments. They further stated he informed them he had developed a method to track the March 8 overpayments with the assistance of IWD's IT and the former Director approved moving forward with that approach. However, the majority of the Internal Investigators continued to track the March 8 overpayments they identified in the event they were asked questions at a later date. The former COO was not included on the conference call.

We obtained listings of March 8 overpayments from several Internal Investigators. These listings included 927 claimants identified as potentially receiving a March 8 overpayment. We compared the Internal Investigators' listings to the spreadsheet generated by IWD's query. Of the 927 claimants identified by the Internal Investigators, we determined only 203 were included in the spreadsheet reviewed by the former UI Investigations Manager and selected for testing as summarized in **Table 6**. In addition, we determined 30 claimants were included in the spreadsheet but had not been selected for IWD's testing. We expanded our testing to include the 30 additional claimants identified. **Table 7** summarizes the original number of claimants selected, the number of additional claimants selected, and the total number of claimants tested by category.

Table 7

Category	Original Selection	Additional Selection	Total Tested
Fraud Exception	368	12	380
No Cross-Match Response	44	12	56
No Cross-Match Request Sent	59	5	64
No Error	70	1	71
Total	541	30	571

The remaining 694 claimants identified by the Internal Investigators were not included in the spreadsheet reviewed by the former UI Investigations Manager and are discussed in further detail later in this report.

We reviewed the quarterly cross-match screen within the UI Benefits system. This screen summarizes the following:

- the weeks the claimant received UI benefits,
- the UI payments issued each week to the claimant,
- the wages reported by the claimant,
- the wages reported by the employer for the claimant, and
- any corresponding underpayments or overpayments.

The quarterly cross-match screen listed all UI payments issued for the first quarter of 2014. We reviewed the March 8 overpayments to determine if the former UI Investigations Manager had properly categorized them. Because the UI Benefits system automatically calculates and identifies any overpayments or underpayments, we did not recalculate the March 8 overpayments identified, but accepted the amount calculated by the UI Benefits system. In addition, we scanned all other underpayments or overpayments listed to determine the reason for the discrepancy and to identify any additional improper UI benefits issued. We traced any overpayments listed to the

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overpayment screen within the UI Benefits system to determine if they were properly carried forward.

Based on discussions with IWD personnel, no action is taken if a claimant receives an underpayment because the burden is on the claimant to properly report his/her wages. As a result, if our testing identified a claimant who received a net underpayment, we did not pursue it further. For the claimants tested, we identified the following discrepancies:

- 19 of the 64 claimants for whom no cross-match request was sent should have had a cross-match request sent for the first quarter of 2014 based on IWD's policy.
- 17 of the 56 claimants categorized as not receiving a response to the cross-match request from the employer had received a response and the wages reported were included in the cross-match screen within the UI Benefits system.
- 9 of the 71 claimants categorized as receiving proper UI benefits should have been subject to a cross-match request in accordance with IWD's policy; however, no request was sent.
- 2 of the 380 claimants categorized as fraud exceptions should have been categorized as not having a cross-match request sent and as receiving proper UI benefits, respectively.
- 1 of the 380 claimants categorized as a fraud exception should have been subject to the cross-match request in accordance with IWD's policy; however, no request was sent.

We also determined the March 8 overpayments were not carried forward to the overpayment screen within the UI Benefits mainframe, except for 19 claimants. The March 8 overpayments for the 19 claimants identified were carried forward to the overpayment screen, and the 19 claimants repaid the March 8 overpayment by personal check or money order. Because IWD personnel stated repayment would not be requested from claimants, the expectation was none of the claimants from March 8 who received an overpayment would be included in the overpayment screen. However, IWD officials testified before the Committee the 85 claimants and the \$27,000.00 of overpayments reported were based on the "honest Iowans who stepped forward" and were forwarded to him for collection purposes. According to the former UI Investigations Manager, the 85 claimants reported to the Committee were included in the query. However, because supporting documentation was not maintained, we were unable to verify this statement.

As a result of our review, we verified the 448 claimants and overpayments of \$96,102.00 identified by IWD and identified an additional 410 claimants and overpayments of \$88,839.83. In total, 858 claimants received overpayments totaling \$184,941.83 for UI claims filed on March 8.

As previously stated, the listings provided by the Internal Investigators included 694 claimants who were not included in the spreadsheet reviewed by the former UI Investigations Manager. However, we were not provided these listings until January 2015. As a result, we were unable to verify the overpayments issued to these claimants due to limitations with the UI Benefits system. The quarterly cross-match screens are maintained in the UI Benefits system for 3 quarters following the quarter of the cross-match. Therefore, the cross-match for the first quarter of 2014 was no longer in the UI Benefits system as of December 31, 2014. The potential overpayments to the 694 claimants identified total \$248,924.41.

Table 8 summarizes the original overpayments reported by IWD to the Committee, the overpayments resulting from IWD's internal investigation, the additional overpayments we identified, the total overpayments verified, and the potential overpayments we were unable to verify as provided by IWD's Internal Investigators.

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Table 8

Description	Claimants	Amount
Reported to the Committee	85	\$ 27,000.00
IWD's internal investigation	448	\$ 96,102.00
Auditor of State testing	410	88,839.83
Subtotal	858	184,941.83
Unable to verify	694	248,924.41
Total	1,552	\$ 433,866.24

As previously stated, through review of the spreadsheet prepared for the March 8 overpayments, IWD identified 368 claimants who “willfully underreported” their wages during the first quarter of 2014. However, because these individuals had not received an overpayment as a result of the March 8 telephone system malfunction, IWD did not quantify the overpayments to these claimants. It is unclear why IWD did not take further action regarding these overpayments. As a result of our review, we identified 557 claimants who received overpayments totaling \$289,379.65 due to underreporting their wages during the first quarter of 2014.

The U.S. Department of Labor allows IWD to assess a 15% penalty on overpayments resulting from fraudulent activity. However, penalties can only be collected from individuals submitting repayments via check, money order, or cash. IWD is not allowed to collect penalties through offset of subsequent UI claims or income tax refunds. Penalties assessed by IWD for 173 of the 557 claimants identified total \$23,026.50. Because IWD did not classify all overpayments identified as fraudulent activity, penalties were not assessed to all claimants with an overpayment. Based on discussions with IWD personnel, there is not an established policy to determine when an overpayment is classified as fraud. Of the 557 claimants identified, IWD classified the overpayments for 173 claimants as fraudulent activity. The remaining 384 claimants were not carried forward to the overpayment screen, which resulted in there being no record of the claimant receiving an overpayment and no penalties being assessed. See **Finding C**.

The improper UI benefits identified for the first quarter of 2014 total \$723,245.89, including \$433,866.24 resulting from the telephone system malfunction and \$289,379.65 resulting from the underreporting of wages by claimants. In addition, we identified \$23,026.50 of penalties assessed by IWD which have not yet been collected.

Findings and Recommendations

As part of our review, we evaluated the procedures used by Iowa Workforce Development to process employer accounts and unemployment insurance claims. An important aspect of internal controls is to establish procedures which provide accountability for assets susceptible to loss from errors and irregularities. These procedures provide the actions of one individual will act as a check on those of another and provide a level of assurance errors or irregularities will be identified within a reasonable time during the course of normal operations. Based on our findings and observations detailed below, the following recommendations are made to strengthen IWD's internal controls.

Finding A – Independent Verification

Employers now submit all information necessary to maintain their employer account and determine their contribution rates and payments owed via telephone or electronically through the MIUI system. However, for the period reviewed, employers could file hard copy contribution reports which were submitted electronically by IWD personnel. This resulted in a significant backlog which caused the submission dates of the contribution reports to be inaccurate. In addition, IWD did not have an adequate process in place to investigate the validity of employer

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addresses. IWD entered into an agreement with Pondera to use Google analytics to identify potential fraudulent risks within UI. Based on discussions held with staff from IWD and Pondera, we identified the following concerns:

- Although IWD is now able to verify an employer's FEIN is valid, there is still no procedure in place to validate employer FEINs against records maintained by the Internal Revenue Service.
- The system implemented by Pondera does not determine the validity of the potential risks identified. No formal method has been established to determine which risks will be investigated further by IWD staff. For example, 9 employer accounts were identified in September 2014 which were all established at the same time and all reported wages of \$44,000.00, or a multiple of \$44,000.00. However, IWD did not have procedures in place to compare employer data and identify this characteristic as a potential risk.
- The system implemented by Pondera does not ensure the accuracy of the data provided by IWD.

Claimants submit all information necessary to obtain their weekly UI payment via telephone or the internet. However, no additional verification procedures are performed on the information electronically submitted by the claimant. Specifically, IWD had no process in place to investigate claimants using the same physical address, email address, or phone number to determine the validity of multiple claims by a group of individuals. In addition, although IWD performs a weekly comparison of active claims to the state and national directories of new hires, there is no assurance these directories are complete. As a result, the comparison may not identify a claimant who has returned to work.

Recommendation – IWD should consider whether periodic verification of the information submitted by the employers and the claimants should be performed. In addition, because of the inherent problems identified with the state and national directories, IWD should consider whether additional procedures should be implemented to review active claims. Also, standardized criteria should be developed and implemented to ensure consistency when identifying which risks should be investigated further by IWD.

Response – IWD has reached out to the IRS for FEIN verification. At the present time the IRS does not have this in place. IWD procedures require staff to verify name, address, and telephone number when speaking with an employer. In addition, any returned mail for an employer is assigned to staff to investigate.

IWD is in the testing phase of implementing a new claimant “profile”. This is where the claimant will enter in their personal information and become registered for work. Additionally, IWD is testing a new initial claim process which will require all claimants have a profile. Claimants will go through an identity verification process while completing their profile. IWD does not have control on the files that are sent regarding the state and national directory of new hires. The employer is responsible for reporting all new hires and return to work, but employers are not fully knowledgeable about the process. IWD has sent out mailings to employers explicitly explaining the importance of proper and accurate reporting of new hires or rehires. Pondera Solutions has functionality to identify claimants residing at the same address, or using the same email address. The Fraud Investigators are investigating these claimants to determine if fraudulent activity has occurred.

Conclusion – Response accepted.

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Finding B – Quarterly Comparison of UI Accounts

Although IWD performs a quarterly comparison of UI accounts to weekly payroll information submitted by employers, we identified the following concerns:

- Not all claimants are included in this comparison. The criteria for the comparison are established at the discretion of the UI Program Integrity Bureau Chief.
- Not all claims identified as a result of the comparison are investigated. The UI Program Integrity Bureau Chief reviews the list, determines which claims will be investigated and assigns those claims to an IWD investigator.
- The comparison relies heavily on the information returned by employers. Because there is no penalty to employers for not providing the information to IWD, many employers do not respond to IWD's request.

Recommendation – IWD should consider whether all claimants should be subject to the quarterly comparison. If not, standardized criteria should be developed and implemented to ensure consistency. In addition, all claims identified as a result of the comparison should be investigated. Because of the inherent problems identified with the quarterly comparisons, IWD should consider whether additional procedures should be implemented to review active claims.

Response – All claimants are subject to the quarterly wage cross-match (comparison). The UI Integrity Bureau Chief sets the parameters. The system then runs the program which identifies claimants who had wages reported during that quarter and identifies claimants that met the criteria for investigation. Those cases are automatically assigned to the investigators. IWD staffing limitations during the audit period have prevented all cases assigned to be completed.

Conclusion – Response acknowledged. The UI Integrity Bureau Chief should ensure the parameters and any subsequent revisions and/or exceptions are documented.

Finding C – UI Overpayments

The “Facts About Unemployment Insurance” handbook states IWD will recover UI overpayments by requesting repayment from the claimant, either in total or under an installment plan. However, according to representatives of IWD, during the period we reviewed, overpayments were designated as either “fraud” or “non-fraud” in the UI Benefits system at the discretion of the former UI Investigations Manager. In addition, IWD did not actively pursue repayment of overpayments identified.

We identified 44 UI claims approved for payment by IWD which were issued in error, resulting in net overpayments of \$66,162.49 at the time testing was performed. Of the 44 UI claims identified, 38 were designated as “non-fraud” in the UI Benefits system. As a result, repayment was only possible through offsetting the claimants’ State income tax refunds or subsequent UI claims, if any. In addition, we determined a majority of the claimants had either voluntarily quit or were terminated for misconduct. As a result, they were not eligible to receive UI benefits.

Recommendation – IWD should review current policies and procedures regarding recovery of UI overpayments to ensure they are still appropriate. If not, revisions should be made, as necessary. However, if current policies and procedures are continued, IWD should ensure analysis of UI overpayments complies with established policies. In addition, IWD should implement procedures to review the legitimacy of UI claims prior to the payment of UI benefits to claimants.

Response – Overpayments are determined fraud or non-fraud at the discretion of the Investigator or Advisor working with the claimant. Any potential fraud overpayments are reviewed by management when referred by other units such as Quality Control.

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Iowa has a Supreme Court case Snyder that prohibits us from stopping a payment until we have determined the claimant is ineligible for benefits. Iowa is currently working on a new initial claim and an enhanced continued claim that will assist with preventing improper claims. Iowa is implementing the Treasury Offset Program (TOP) as a tool to collect overpayments. Law prohibits collection of non-fraud UI debt through TOP unless it's a very specific reason that caused the overpayment. Iowa is aggressively pursuing other options to collect UI debt.

Conclusion – Response accepted.

Finding D – Deleted Employer Accounts

After identifying a fictitious employer scheme, IWD removed the 20 fictitious employer accounts from both the MIUI and UI Benefits systems. According to IWD personnel, they were instructed by the former COO to deactivate the employer accounts identified without explanatory notes. As a result, our testing was limited to the “screen shots” printed and provided by IWD and any information we could obtain from the UI Benefits system by querying each UI claim filed.

Recommendation – IWD should implement procedures to deactivate employer accounts without removing all information from the MIUI and UI Benefits systems in the event the information is needed to investigate suspected fraudulent activity, either internally or by outside entities. Deactivation of employer accounts should be reviewed and approved by appropriate personnel within the UI Division.

Response – IWD currently has Fictitious Employer and Fictitious Benefit Claims policy in place. The policy explains what personal identify information, PII, must be verified for each employer. If any of the PII cannot be verified, the workflow will be transferred to the manager to determine if the account requires additional investigation or termination. In any event, the account number will not be activated/terminated until the manager determines the status of the account. The UI Tax Bureau Chief will make the final decision in terminating the account.

When an employer registers for an account and files quarterly reports, MIUI generates a copy of all the information that was entered into the system. This original information remains on the system and viewable at any time, even if the account is terminated. The system also keeps a transaction history of all actions taken on the account. When the account is terminated, all information originally done on the account is recorded and stored under that account number.

All fictitious Employer accounts identified are logged and tracked by the UI Tax Bureau Chief.

Procedures have been put into place that terminates (deactivates) the account. Wages are removed from the claim in the mainframe and the claim is put into a “locked” status with instructions to consult management if questions about the claim arise. Instructions also include removing the wages from MIUI, however, any contribution report filed by the employer is retained in our document retention program in the event it is needed as evidentiary proof during a prosecution.

Conclusion – Response accepted.

Finding E – Inaccurate Data Queries

We requested IWD query the MIUI system to identify employer accounts with similar characteristics to the fictitious employer accounts identified. According to IWD personnel, generating the queries was difficult because the MIUI and UI Benefits systems are not compatible and data was needed from both systems to compile the information requested. In addition, IWD personnel stated UI claims filed against an employer are not reflected in the MIUI system unless the UI benefits paid are charged against that employer.

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We received 5 queries in response to our request. However, after we started testing the selected employer accounts and UI claims, we determined the queries had not been properly generated by IWD personnel, which resulted in inaccurate data. We requested the queries a second time; however, shortly after providing the second set of queries, we were notified by IWD IT personnel those queries were also incorrect. IWD personnel subsequently provided a third set of queries, which also contained inaccuracies. Specifically, we identified the following concerns:

- For employer accounts which had no UI tax contributions, we determined 7 of the 15 employer accounts which appeared to be properly included in the query did not have UI claims filed against them. As a result, they should not have been included in the query. In addition, although the remaining 8 employer accounts had the defined characteristics, they were not included in the second query provided by IWD. We also determined 10 of the 20 additional employer accounts selected should not have been included in the query provided by IWD because there were no UI claims filed against them.
- For employer accounts with claims filed within 90 days of the date the account was established, we determined 8 of the 34 which appeared to be properly included in the query did not have UI claims filed against them. As a result, they should not have been included in the query. In addition, 5 of the 15 employer accounts which appeared to be properly included in the first query were not included in the second query. IWD was unable to explain why they were not included.

We also determined 2 of the employer accounts had blank quarterly reports and no UI claims filed against them. IWD was unable to explain why they were included in the query provided. In addition, Already Construction, a fictitious employer account identified by IWD, should have been included in the query but was not. IWD was unable to explain why it was not included.

- Ned Stein, a fictitious employer account identified by IWD, should have been included in the query for employer accounts with all 4 quarters of contribution reports filed simultaneously but was not. IWD was unable to explain why it was not included.
- For 8 of the 90 claimants selected, the amount paid per the UI Benefits system does not match the amount paid per the query provided by IWD.

Recommendation – IWD should implement sufficient alternate procedures to ensure the accuracy of UI information and to monitor risks within UI due to the incompatibility of the MIUI and UI Benefits systems.

Response – IWD is now using Pondera to analyze MIUI and Claims data to identify potential fraudulent activity. IWD and Pondera continue to work together to ensure that data queries are accurate and potential risks are identified as early as possible.

Conclusion – Response accepted.

Finding F – Manual Wage Adjustments

Prior to January 2013, IWD was unable to process manual wage adjustments in the MIUI system. During the period reviewed, employee wages for 3 employer accounts did not agree between the MIUI and UI Benefits systems. In addition, supporting documentation for the manual wage adjustments recorded in the UI Benefits system was not maintained for 2 of the 3 employer accounts.

Recommendation – IWD should implement procedures to ensure information recorded in the MIUI and UI Benefits systems is accurate and agrees. In addition, manual adjustments should be reviewed and approved by appropriate personnel within the UI Division of IWD and supporting documentation should be maintained for any manual adjustments recorded.

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Response – MIUI is the official wage records. Anytime a wage adjustment is processed on an ER account and a claim is involved, a JIRA ticket is created for IT to run a program to update the wages in the benefits system. If the wage adjustments don't affect the weekly benefit amount/maximum benefit amount (WBA/MBA) of the claim, the wages on the claim itself are not updated. If WBA/MBA are affected, the claim will be re-determined and the claimant will be notified. The IT program runs nightly, so depending on when records are reviewed the MIUI or the benefits system, the wages could disagree.

When manual wage adjustments are processed by staff, part of their procedure is to request an IWD Helpdesk ticket for the Customer Information Control System (CICS) system to be updated. Because this is all a manual process, there is a higher risk for errors. IWD has formed a consortium with Idaho and Vermont to upgrade the benefits system and essentially get Iowa off the 42 year old mainframe system it utilizes. Part of this upgrade will include an automated process for wage interface. In the short term, a report has been created to show all manual wage adjustments for a user specified time frame. Each week the UI Manager will review the report and verify CICS is updated with the correct information.

Conclusion – Response accepted.

Finding G – Quarterly Contributions

Employers file quarterly contribution reports which calculate the UI tax contribution owed to IWD. However, according to representatives of IWD, there was a significant backlog in processing the contribution reports submitted which resulted in penalties and interest assessed to employer accounts which did not appear to have filed timely. In addition, the IWD representatives stated issues encountered when the MIUI system was implemented resulted in the inability to notify employers with outstanding balances. We identified 9 employer accounts with significant outstanding balances owed to IWD, ranging from approximately \$97,000.00 to \$4.1 million.

Recommendation – IWD should implement procedures to ensure UI contribution reports are properly filed in a timely manner. In addition, outstanding balances on employer accounts should be reviewed periodically and procedures should be implemented to ensure employers with delinquent accounts are properly notified and the delinquent accounts are resolved.

Response – As of 3rd quarter 2013, employers have been mandated they must file their quarterly contribution reports on-line. In addition, MIUI has an automated process to notify an employer 15 days after the reporting due date of a delinquent report. The system automatically generates an assignment to Field Auditors 30 days later if the report is still delinquent.

Conclusion – Response accepted.

Finding H – UI Benefits System

We identified 7 UI claims with UI payments issued to claimants which did not mathematically agree with the electronic supporting documentation maintained in the UI Benefits system. We identified an additional UI claim with UI payments which did not agree between the UI Benefits system and the merged spreadsheet provided by IWD. However, when IWD personnel provided the payment history for the claimant, it agreed with the merged spreadsheet provided.

Recommendation – IWD should implement procedures to ensure accurate information is maintained in the UI Benefits system.

Response – As stated in Finding F, Iowa has entered into a consortium with Idaho and Vermont that will help correct this issue. In the meantime IWD is updating its procedures and eliminated scanning backlogs to ensure accuracy.

Conclusion – Response accepted.

A Review of Certain Unemployment Insurance Payments

Finding I – MIUI System

We identified an employer account which was inadvertently linked to a significant number of UI claims because the MIUI system randomly assigned the business name to employer account #0, which does not exist. According to IWD representatives, they are unsure of the reason for the error. Although the error has been resolved, IWD did not correct the UI claims affected.

Recommendation – IWD should implement procedures to ensure accurate information is maintained in the MIUI system. In addition, IWD should implement procedures to ensure information recorded in the MIUI and UI Benefits systems is accurate and agrees.

Response – As stated in Finding F, IWD has formed a consortium with Idaho and Vermont to upgrade the benefits system. Part of this upgrade will include an automated process for wage interfaces. In the short term, a report has been created to show all manual wage adjustments for a user specified time frame. Each week the UI Manager will review the report and verify CICS is updated with the correct information.

Procedures for staff have been put into place that requires staff to review and verify the interface between MIUI and CICS properly updated anytime they make a change to an account in MIUI.

Conclusion – Response accepted.

Finding J – Out-of-State UI Claim

We identified an employer account for which we were unable to trace the wages reported by employees with UI claims in the UI Benefits system to the MIUI system. The UI claims in the UI Benefits systems were approved for payment by IWD. However, according to representatives of IWD, the employer was based in Missouri and had no locations or employees working in Iowa. Therefore, all wages and related UI claims should have been reported and filed through the State of Missouri. IWD is currently in the process of recovering the UI benefits paid from the State of Missouri and removing the employer account from the MIUI system.

Recommendation – IWD should implement procedures to ensure the validity of employer accounts and UI claims prior to issuing UI benefits to claimants. In addition, IWD should periodically review the out-of-state employer accounts established in the MIUI system to ensure they are accurately reporting wages in Iowa.

Response – Iowa is identifying ways to audit out of state employers who report wages in Iowa to ensure accuracy of wages reported.

Conclusion – Response accepted.

Finding K – Incorrect Social Security Number (SSN)

We identified an employer account for which employee wages did not agree between the MIUI and UI Benefits systems because an employee's SSN was inadvertently listed on a different claimant's account. When the claimant filed a UI claim, this error caused the claimant's UI benefits to be calculated based on the total of his wages and the other employee's wages, resulting in higher UI benefits approved by IWD. Although the issue with the SSN was resolved, IWD did not pursue recovery of the overpayment.

Recommendation – IWD should implement procedures to ensure the accuracy of the employee information recorded in the MIUI and UI Benefits systems. In addition, IWD should pursue recovery of overpayments when an IWD error is identified.

Response – As stated in Finding F, Iowa has joined a consortium with the state of Idaho to implement enhancements to the UI Benefits System. One function in this process will address this issue to ensure that all errors with claimant's SSN are accurately reflected in MIUI and UI

A Review of Certain Unemployment Insurance Payments

Benefits system. IWD is identifying ways to improve their recovery of overpayments, including the implementation of the TOP program.

Conclusion – Response accepted.

Finding L – IWD IT System Override

After the telephone system malfunction was identified by IWD IT, IWD upper management decided to pay each claimant who filed a UI claim on March 1 his/her respective maximum weekly UI benefits for the claim filed on March 8. As a result, IWD's IT processed a system override which was listed as "Manbatch" in the UI Benefits system. By processing a system override, IWD personnel completed the UI claim questionnaire for all claimants, which is not in compliance with IWD's policies.

Recommendation – IWD should ensure established policies and procedures are complied with. In the event of an emergency situation, the exception, and the reason for it, should be documented and approved by appropriate personnel within the UI Division of IWD.

Response – Iowa agrees with the recommendation. IWD is currently reviewing and updating all UI policy and procedures and making adjustments where warranted.

Conclusion – Response accepted.

Finding M – Formal Tracking of March 8 Overpayments

We determined there was no formal tracking of the claimants who repaid the UI benefit received in error or the employer accounts which were credited for any erroneous UI benefits charged against them. In addition, for those claimants who did not repay the UI benefits received in error, the employer accounts affected were not credited for any of the erroneous UI benefits.

Recommendation – IWD should consider reviewing the overpayments identified which resulted from the March 8 telephone system malfunction to ensure the affected employer accounts are properly credited for the erroneous UI benefits charged against them. In addition, should a similar situation occur in the future, IWD should implement procedures to ensure any UI benefits paid in error are tracked and credited to the employer accounts affected.

Response – Iowa agrees with the recommendation and will implement appropriate and necessary procedures to address this issue.

Conclusion – Response accepted.

Schedules

Schedule 1

A Review of Certain Unemployment Insurance Payments

Improper Unemployment Insurance Benefits - Ned Stein

Per Iowa EPPICard Statement

Account Number	Date	Benefits Issued	Benefits Drawn
464379XXXXXX0859	03/21/13	\$ 792.00	-
464379XXXXXX0859	03/28/13	396.00	-
464379XXXXXX0859	04/04/13	396.00	15.00
464379XXXXXX0859	04/08/13	-	1,209.70
464379XXXXXX0859	04/09/13	-	344.85
464379XXXXXX0859	04/11/13	396.00	404.50
464379XXXXXX0859	04/18/13	396.00	400.00
464379XXXXXX0859	04/25/13	396.00	381.00
Subtotal		2,772.00	2,755.05
464379XXXXXX5275	03/14/13	792.00	-
464379XXXXXX5275	03/17/13	-	604.85
464379XXXXXX5275	03/18/13	-	184.35
464379XXXXXX5275	03/21/13	396.00	-
464379XXXXXX5275	03/23/13	-	384.85
464379XXXXXX5275	03/26/13	-	0.50
464379XXXXXX5275	03/28/13	396.00	400.50
464379XXXXXX5275	04/04/13	396.00	-
464379XXXXXX5275	04/05/13	-	404.85
464379XXXXXX5275	04/11/13	396.00	384.00
464379XXXXXX5275	04/18/13	396.00	-
464379XXXXXX5275	04/23/13	-	403.50
464379XXXXXX5275	04/25/13	396.00	384.85
Subtotal		3,168.00	3,152.25
464379XXXXXX4710	03/14/13	792.00	504.85
464379XXXXXX4710	03/21/13	396.00	605.85
464379XXXXXX4710	03/28/13	396.00	464.85
464379XXXXXX4710	04/04/13	396.00	384.85
464379XXXXXX4710	04/11/13	396.00	404.85
464379XXXXXX4710	04/18/13	396.00	-
464379XXXXXX4710	04/23/13	-	404.85
464379XXXXXX4710	04/25/13	396.00	384.85
Subtotal		3,168.00	3,154.95

A Review of Certain Unemployment Insurance Payments

Improper Unemployment Insurance Benefits - Ned Stein

Per Iowa EPPICard Statement

Account Number	Date	Benefits Issued	Benefits Drawn
464379XXXXXX5669	03/14/13	792.00	605.35
464379XXXXXX5669	03/19/13	-	180.50
464379XXXXXX5669	03/21/13	396.00	384.85
464379XXXXXX5669	03/28/13	396.00	-
464379XXXXXX5669	03/29/13	-	405.35
464379XXXXXX5669	04/04/13	396.00	385.85
464379XXXXXX5669	04/11/13	396.00	403.50
464379XXXXXX5669	04/18/13	396.00	-
464379XXXXXX5669	04/23/03	-	385.85
464379XXXXXX5669	04/25/13	396.00	404.85
Subtotal		3,168.00	3,156.10
464379XXXXXX7573	02/27/13	396.00	-
464379XXXXXX7573	02/28/13	396.00	305.35
464379XXXXXX7573	03/02/13	-	405.50
464379XXXXXX7573	03/07/13	396.00	-
464379XXXXXX7573	03/08/13	-	461.00
464379XXXXXX7573	03/14/13	396.00	-
464379XXXXXX7573	03/16/13	-	404.85
464379XXXXXX7573	03/21/13	396.00	-
464379XXXXXX7573	03/23/13	-	380.50
464379XXXXXX7573	03/28/13	396.00	-
464379XXXXXX7573	03/29/13	-	405.85
464379XXXXXX7573	04/04/13	396.00	404.85
464379XXXXXX7573	04/11/13	396.00	385.85
464379XXXXXX7573	04/18/13	396.00	-
464379XXXXXX7573	04/23/13	-	405.85
464379XXXXXX7573	04/25/13	396.00	384.85
Subtotal		3,960.00	3,944.45
464379XXXXXX0700	03/14/13	396.00	380.50
464379XXXXXX0700	03/19/13	-	1.00
464379XXXXXX0700	03/20/13	396.00	-
464379XXXXXX0700	03/21/13	396.00	803.50

Schedule 1

A Review of Certain Unemployment Insurance Payments

Improper Unemployment Insurance Benefits - Ned Stein

Per Iowa EPPICard Statement

Account Number	Date	Benefits Issued	Benefits Drawn
464379XXXXXX0700	03/28/13	396.00	-
464379XXXXXX0700	03/29/13	-	384.00
464379XXXXXX0700	04/04/13	396.00	405.35
464379XXXXXX0700	04/11/13	396.00	385.85
464379XXXXXX0700	04/19/13	396.00	-
464379XXXXXX0700	04/23/13	-	380.00
464379XXXXXX0700	04/25/13	396.00	424.85
Subtotal		3,168.00	3,165.05
464379XXXXXX3678	03/14/13	792.00	783.50
464379XXXXXX3678	03/21/13	396.00	384.35
464379XXXXXX3678	03/28/13	396.00	-
464379XXXXXX3678	03/29/13	-	405.85
464379XXXXXX3678	04/04/13	396.00	404.85
464379XXXXXX3678	04/11/13	396.00	385.35
464379XXXXXX3678	04/18/13	396.00	-
464379XXXXXX3678	04/23/13	-	384.00
464379XXXXXX3678	04/25/13	396.00	405.35
Subtotal		3,168.00	3,153.25
464379XXXXXX9351	03/14/13	792.00	605.85
464379XXXXXX9351	03/19/13	-	184.35
464379XXXXXX9351	03/21/13	396.00	384.00
464379XXXXXX9351	03/28/13	396.00	-
464379XXXXXX9351	03/29/13	-	403.50
464379XXXXXX9351	04/04/13	396.00	386.35
464379XXXXXX9351	04/11/13	396.00	404.50
464379XXXXXX9351	04/18/13	396.00	-
464379XXXXXX9351	04/23/13	-	385.35
464379XXXXXX9351	04/25/13	396.00	400.50
Subtotal		3,168.00	3,154.40
464379XXXXXX1970	02/28/13	396.00	203.85
464379XXXXXX1970	03/01/13	-	103.35
464379XXXXXX1970	03/07/13	396.00	-
464379XXXXXX1970	03/08/13	-	465.35

A Review of Certain Unemployment Insurance Payments

Improper Unemployment Insurance Benefits - Ned Stein

Per Iowa EPPICard Statement

Account Number	Date	Benefits Issued	Benefits Drawn
464379XXXXXX1970	03/14/13	396.00	-
464379XXXXXX1970	03/16/13	-	400.50
464379XXXXXX1970	03/21/13	396.00	-
464379XXXXXX1970	03/23/13	-	385.35
464379XXXXXX1970	03/28/13	396.00	-
464379XXXXXX1970	03/29/13	-	404.85
464379XXXXXX1970	04/04/13	396.00	405.35
464379XXXXXX1970	04/11/13	396.00	380.50
464379XXXXXX1970	04/18/13	396.00	-
464379XXXXXX1970	04/23/13	-	404.85
464379XXXXXX1970	04/25/13	396.00	404.85
Subtotal		3,564.00	3,558.80
464379XXXXXX3148	03/14/13	792.00	604.85
464379XXXXXX3148	03/19/13	-	183.85
464379XXXXXX3148	03/21/13	396.00	380.50
464379XXXXXX3148	03/28/13	396.00	405.85
464379XXXXXX3148	04/04/13	396.00	386.35
464379XXXXXX3148	04/11/13	396.00	404.85
464379XXXXXX3148	04/18/13	396.00	-
464379XXXXXX3148	04/23/13	-	384.00
464379XXXXXX3148	04/25/13	396.00	403.50
Subtotal		3,168.00	3,153.75
464379XXXXXX2873	03/21/13	792.00	-
464379XXXXXX2873	03/28/13	396.00	-
464379XXXXXX2873	04/04/13	396.00	15.00
464379XXXXXX2873	04/08/13	-	1,209.70
464379XXXXXX2873	04/09/13	-	344.85
464379XXXXXX2873	04/11/13	396.00	404.00
464379XXXXXX2873	04/18/13	396.00	400.50
464379XXXXXX2873	04/25/13	396.00	380.50
Subtotal		2,772.00	2,754.55

Schedule 1

A Review of Certain Unemployment Insurance Payments

Improper Unemployment Insurance Benefits - Ned Stein

Per Iowa EPPICard Statement

Account Number	Date	Benefits Issued	Benefits Drawn
464379XXXXXX6336	03/06/13	-	0.50
464379XXXXXX6336	03/14/13	792.00	784.85
464379XXXXXX6336	03/18/13	-	0.50
464379XXXXXX6336	03/21/13	396.00	460.55
464379XXXXXX6336	03/21/13	-	-
464379XXXXXX6336	03/28/13	396.00	232.00
464379XXXXXX6336	04/03/13	-	103.85
464379XXXXXX6336	04/04/13	396.00	277.50
464379XXXXXX6336	04/11/13	396.00	513.40
464379XXXXXX6336	04/18/13	396.00	-
464379XXXXXX6336	04/20/13	-	357.45
464379XXXXXX6336	04/25/13	396.00	202.50
Subtotal		3,168.00	2,933.10
Total		\$ 38,412.00	38,035.70

A Review of Certain Unemployment Insurance Payments

Improper Unemployment Insurance Benefits – Already Construction

Per Iowa EPPICard Statement

Account Number	Date	Benefits Issued	Benefits Drawn
464379XXXXXX7689	03/20/13	\$ 396.00	-
464379XXXXXX7689	03/21/13	396.00	-
464379XXXXXX7689	03/23/13	-	605.85
464379XXXXXX7689	03/26/13	-	183.50
464379XXXXXX7689	03/28/13	792.00	-
464379XXXXXX7689	03/28/13	-	668.50
464379XXXXXX7689	04/04/13	396.00	-
464379XXXXXX7689	04/05/13	-	503.50
464379XXXXXX7689	04/11/13	396.00	403.50
464379XXXXXX7689	04/19/13	396.00	-
464379XXXXXX7689	04/23/13	-	404.85
464379XXXXXX7689	04/25/13	396.00	384.50
Subtotal		3,168.00	3,154.20
464379XXXXXX4495	03/20/13	396.00	-
464379XXXXXX4495	03/21/13	396.00	630.17
464379XXXXXX4495	03/21/13	-	-
464379XXXXXX4495	03/28/13	-	146.75
464379XXXXXX4495	03/29/13	-	0.40
464379XXXXXX4495	03/30/13	-	0.40
464379XXXXXX4495	03/31/13	-	4.28
464379XXXXXX4495	04/06/13	-	10.00
Subtotal		792.00	792.00
464379XXXXXX9372	03/20/13	396.00	-
464379XXXXXX9372	03/21/13	396.00	776.95
464379XXXXXX9372	03/21/13	-	-
464379XXXXXX9372	03/28/13	792.00	802.70
464379XXXXXX9372	04/04/13	396.00	403.50
464379XXXXXX9372	04/11/13	396.00	386.00
464379XXXXXX9372	04/19/13	396.00	403.50
464379XXXXXX9372	04/25/13	396.00	395.35
Subtotal		3,168.00	3,168.00

Schedule 2

A Review of Certain Unemployment Insurance Payments
Improper Unemployment Insurance Benefits – Already Construction

Per Iowa EPPICard Statement

Account Number	Date	Benefits Issued	Benefits Drawn
464379XXXXXX9291	03/20/13	396.00	-
464379XXXXXX9291	03/21/13	396.00	-
464379XXXXXX9291	03/23/13	-	603.50
464379XXXXXX9291	03/26/13	-	182.50
464379XXXXXX9291	03/28/13	792.00	605.35
464379XXXXXX9291	04/04/13	396.00	-
464379XXXXXX9291	04/05/13	-	585.85
464379XXXXXX9291	04/11/13	396.00	385.85
464379XXXXXX9291	04/19/13	396.00	-
464379XXXXXX9291	04/23/13	-	400.50
464379XXXXXX9291	04/25/13	396.00	386.35
Subtotal		<u>3,168.00</u>	<u>3,149.90</u>
464379XXXXXX6172	03/20/13	396.00	-
464379XXXXXX6172	03/21/13	396.00	775.55
464379XXXXXX6172	03/28/13	792.00	505.35
464379XXXXXX6172	03/30/13	-	271.20
464379XXXXXX6172	04/01/13	-	25.10
464379XXXXXX6172	04/04/13	396.00	385.65
464379XXXXXX6172	04/08/13	-	0.40
464379XXXXXX6172	04/10/13	-	0.40
464379XXXXXX6172	04/11/13	396.00	403.80
464379XXXXXX6172	04/17/13	-	0.80
464379XXXXXX6172	04/18/13	-	0.40
464379XXXXXX6172	04/19/13	396.00	386.15
464379XXXXXX6172	04/24/13	-	0.40
464379XXXXXX6172	04/25/13	396.00	403.90
Subtotal		<u>3,168.00</u>	<u>3,159.10</u>
464379XXXXXX6420	03/19/13	396.00	-
464379XXXXXX6420	03/21/13	396.00	752.05
464379XXXXXX6420	03/27/13	-	10.00

A Review of Certain Unemployment Insurance Payments

Improper Unemployment Insurance Benefits – Already Construction

Per Iowa EPPICard Statement

Account Number	Date	Benefits Issued	Benefits Drawn
464379XXXXXX6420	03/28/13	792.00	812.45
464379XXXXXX6420	03/30/13	-	0.80
464379XXXXXX6420	03/31/13	-	8.70
464379XXXXXX6420	04/04/13	396.00	384.85
464379XXXXXX6420	04/11/13	396.00	404.85
464379XXXXXX6420	04/17/13	-	0.40
464379XXXXXX6420	04/18/13	-	2.80
464379XXXXXX6420	04/19/13	396.00	384.75
464379XXXXXX6420	04/24/13	-	0.40
464379XXXXXX6420	04/25/13	396.00	403.80
Subtotal		3,168.00	3,165.85
464379XXXXXX3141	03/19/13	396.00	-
464379XXXXXX3141	03/21/13	396.00	706.35
464379XXXXXX3141	03/28/13	792.00	810.30
464379XXXXXX3141	03/30/13	-	23.83
464379XXXXXX3141	03/31/13	-	43.08
464379XXXXXX3141	04/04/13	396.00	384.85
464379XXXXXX3141	04/11/13	396.00	386.05
464379XXXXXX3141	04/17/13	-	0.40
464379XXXXXX3141	04/19/13	396.00	405.25
464379XXXXXX3141	04/25/13	393.00	383.80
Subtotal		3,165.00	3,143.91
464379XXXXXX0334	03/20/13	396.00	-
464379XXXXXX0334	03/22/13	-	364.50
464379XXXXXX0334	03/23/13	-	24.35
464379XXXXXX0334	03/29/13	-	5.99
Subtotal		396.00	394.84
464379XXXXXX4901	03/19/13	396.00	-
464379XXXXXX4901	03/21/13	396.00	772.70

Schedule 2

A Review of Certain Unemployment Insurance Payments
Improper Unemployment Insurance Benefits – Already Construction

Per Iowa EPPICard Statement

Account Number	Date	Benefits Issued	Benefits Drawn
464379XXXXXX4901	03/28/13	792.00	605.65
464379XXXXXX4901	03/29/13	-	205.15
464379XXXXXX4901	03/31/13	-	0.40
464379XXXXXX4901	04/04/13	396.00	384.75
464379XXXXXX4901	04/10/13	-	0.40
464379XXXXXX4901	04/11/13	396.00	404.60
464379XXXXXX4901	04/17/13	-	0.40
464379XXXXXX4901	04/18/13	-	2.00
464379XXXXXX4901	04/19/13	396.00	385.25
464379XXXXXX4901	04/24/13	-	0.40
464379XXXXXX4901	04/25/13	396.00	400.90
Subtotal		3,168.00	3,162.60
464379XXXXXX2443	03/19/13	396.00	-
464379XXXXXX2443	03/21/13	396.00	572.95
464379XXXXXX2443	03/26/13	-	203.50
464379XXXXXX2443	03/28/13	792.00	732.35
464379XXXXXX2443	03/31/13	-	0.40
464379XXXXXX2443	04/01/13	-	73.85
464379XXXXXX2443	04/01/13	-	-
464379XXXXXX2443	04/04/13	396.00	386.55
464379XXXXXX2443	04/10/13	-	0.40
464379XXXXXX2443	04/11/13	396.00	402.75
464379XXXXXX2443	04/17/13	-	0.40
464379XXXXXX2443	04/18/13	-	2.80
464379XXXXXX2443	04/19/13	396.00	383.90
464379XXXXXX2443	04/24/13	-	0.40
464379XXXXXX2443	04/25/13	396.00	405.25
Subtotal		3,168.00	3,165.50
464379XXXXXX5728	03/19/13	396.00	-
464379XXXXXX5728	03/21/13	396.00	-
464379XXXXXX5728	03/28/13	792.00	-
464379XXXXXX5728	04/04/13	396.00	-
464379XXXXXX5728	04/11/13	396.00	-

A Review of Certain Unemployment Insurance Payments

Improper Unemployment Insurance Benefits – Already Construction

Per Iowa EPPICard Statement

Account Number	Date	Benefits Issued	Benefits Drawn
464379XXXXXX5728	04/19/13	396.00	-
464379XXXXXX5728	04/25/13	396.00	-
Subtotal		3,168.00	-
464379XXXXXX1031	03/20/13	396.00	-
464379XXXXXX1031	03/21/13	396.00	-
464379XXXXXX1031	03/28/13	792.00	-
464379XXXXXX1031	04/04/13	396.00	-
464379XXXXXX1031	04/11/13	396.00	-
464379XXXXXX1031	04/19/13	396.00	-
464379XXXXXX1031	04/25/13	396.00	-
Subtotal		3,168.00	-
464379XXXXXX7275	03/20/13	396.00	-
464379XXXXXX7275	03/21/13	396.00	-
464379XXXXXX7275	03/23/13	-	604.85
464379XXXXXX7275	03/26/13	-	184.85
464379XXXXXX7275	03/28/13	792.00	605.85
464379XXXXXX7275	04/04/13	396.00	-
464379XXXXXX7275	04/05/13	-	565.35
464379XXXXXX7275	04/11/13	396.00	404.85
464379XXXXXX7275	04/19/13	396.00	-
464379XXXXXX7275	04/23/13	-	383.50
464379XXXXXX7275	04/25/13	396.00	404.35
Subtotal		3,168.00	3,153.60
464379XXXXXX1914	03/20/13	792.00	-
464379XXXXXX1914	03/21/13	396.00	-
464379XXXXXX1914	03/23/13	-	604.85
464379XXXXXX1914	03/26/13	-	565.85
464379XXXXXX1914	03/28/13	396.00	405.85
464379XXXXXX1914	04/04/13	396.00	-
464379XXXXXX1914	04/05/13	-	385.35

Schedule 2

A Review of Certain Unemployment Insurance Payments
Improper Unemployment Insurance Benefits – Already Construction

Per Iowa EPPICard Statement

Account Number	Date	Benefits Issued	Benefits Drawn
464379XXXXXX1914	04/11/13	396.00	400.50
464379XXXXXX1914	04/19/13	396.00	-
464379XXXXXX1914	04/23/13	-	404.85
464379XXXXXX1914	04/25/13	396.00	383.50
Subtotal		3,168.00	3,150.75
464379XXXXXX5733	03/19/13	396.00	-
464379XXXXXX5733	03/21/13	396.00	532.30
464379XXXXXX5733	03/26/13	-	203.50
464379XXXXXX5733	03/28/13	792.00	669.20
464379XXXXXX5733	03/29/13	-	0.40
464379XXXXXX5733	03/31/13	-	0.40
464379XXXXXX5733	04/01/13	-	163.35
464379XXXXXX5733	04/04/13	396.00	405.65
464379XXXXXX5733	04/10/13	-	0.40
464379XXXXXX5733	04/11/13	396.00	384.20
464379XXXXXX5733	04/17/13	-	0.40
464379XXXXXX5733	04/18/13	-	5.20
464379XXXXXX5733	04/19/13	396.00	403.40
464379XXXXXX5733	04/24/13	-	0.40
464379XXXXXX5733	04/25/13	396.00	383.40
Subtotal		3,168.00	3,152.20
Total		\$ 42,369.00	35,912.45

A Review of Certain Unemployment Insurance Payments
Improper Unemployment Insurance Benefits – Home Healthcare of Iowa

Per UI Benefits System		
Claimant	Date	Benefits Issued
Claimant #1	07/28/14	\$ 405.00
Claimant #1	07/29/14	405.00
Claimant #1	08/13/14	810.00
Claimant #1	08/19/14	405.00
Claimant #1	08/26/14	405.00
Subtotal		2,430.00
Claimant #2	07/23/14	832.00
Claimant #2	07/29/14	416.00
Claimant #2	08/13/14	832.00
Claimant #2	08/19/14	416.00
Claimant #2	08/26/14	416.00
Subtotal		2,912.00
Claimant #3	07/22/14	416.00
Claimant #3	07/29/14	416.00
Claimant #3	08/13/14	832.00
Claimant #3	08/19/14	416.00
Claimant #3	08/26/14	416.00
Subtotal		2,496.00
Claimant #4	07/29/14	832.00
Claimant #4	08/07/14	416.00
Claimant #4	08/13/14	416.00
Claimant #4	08/19/14	416.00
Claimant #4	08/26/14	416.00
Subtotal		2,496.00
Claimant #5	07/29/14	832.00
Claimant #5	08/07/14	416.00
Claimant #5	08/13/14	416.00
Claimant #5	08/19/14	416.00
Claimant #5	08/26/14	416.00
Subtotal		2,496.00

Schedule 3

A Review of Certain Unemployment Insurance Payments

Improper Unemployment Insurance Benefits – Home Healthcare of Iowa

Per UI Benefits System		
Claimant	Date	Benefits Issued
Claimant #6	07/22/14	832.00
Claimant #6	07/29/14	416.00
Claimant #6	08/05/14	416.00
Claimant #6	08/13/14	416.00
Claimant #6	08/19/14	416.00
Claimant #6	08/26/14	416.00
Subtotal		<u>2,912.00</u>
Claimant #7	07/22/14	416.00
Claimant #7	07/29/14	416.00
Claimant #7	08/07/14	410.00
Claimant #7	08/13/14	416.00
Claimant #7	08/19/14	416.00
Claimant #7	08/26/14	416.00
Subtotal		<u>2,490.00</u>
Total		<u><u>\$ 18,232.00</u></u>

A Review of Certain Unemployment Insurance Payments
Improper Unemployment Insurance Benefits – Hall Trucking Service

Per Bank of America Statement

Account Number	Date	Benefits Issued	Benefits Drawn
511560XXXXXX4213	01/02/15	\$ 832.00	-
511560XXXXXX4213	01/02/15	-	202.50
511560XXXXXX4213	01/02/15	-	202.50
511560XXXXXX4213	01/02/15	-	1.25
511560XXXXXX4213	01/02/15	-	202.50
511560XXXXXX4213	01/02/15	-	1.25
511560XXXXXX4213	01/02/15	-	202.50
511560XXXXXX4213	01/05/15	-	1.25
511560XXXXXX4213	01/02/15	-	17.88
511560XXXXXX4213	01/08/15	416.00	-
511560XXXXXX4213	01/10/15	-	102.75
511560XXXXXX4213	01/10/15	-	102.75
511560XXXXXX4213	01/10/15	-	1.25
511560XXXXXX4213	01/10/15	-	102.75
511560XXXXXX4213	01/10/15	-	1.25
511560XXXXXX4213	01/10/15	-	102.75
511560XXXXXX4213	01/10/15	-	1.25
Subtotal		1,248.00	1,246.38
511560XXXXXX1513	01/02/15	832.00	-
511560XXXXXX1513	01/08/15	416.00	-
Subtotal		1,248.00	-
511560XXXXXX9450	01/02/15	832.00	-
511560XXXXXX9450	01/08/15	416.00	-
Subtotal		1,248.00	-
511560XXXXXX4087	01/02/15	832.00	-
511560XXXXXX4087	01/08/15	416.00	-
Subtotal		1,248.00	-

Schedule 4

A Review of Certain Unemployment Insurance Payments
 Improper Unemployment Insurance Benefits – Hall Trucking Service

Per Bank of America Statement

Account Number	Date	Benefits Issued	Benefits Drawn
**	01/02/15	832.00	-
**	01/08/15	416.00	-
Subtotal		1,248.00	-
511560XXXXXX8527	01/02/15	832.00	-
511560XXXXXX8527	01/08/15	416.00	-
511560XXXXXX8527	01/09/15	-	503.00
511560XXXXXX8527	01/09/15	-	503.00
511560XXXXXX8527	01/09/15	-	1.25
511560XXXXXX8527	01/10/15	-	222.50
511560XXXXXX8527	01/10/15	-	1.25
511560XXXXXX8527	01/11/15	-	9.19
Subtotal		1,248.00	1,240.19
511560XXXXXX5417	01/02/15	832.00	-
511560XXXXXX5417	01/08/15	416.00	-
511560XXXXXX5417	01/10/15	-	81.12
511560XXXXXX5417	01/10/15	-	125.95
511560XXXXXX5417	01/11/15	-	377.80
511560XXXXXX5417	01/12/15	-	373.10
511560XXXXXX5417	01/12/15	-	190.99
511560XXXXXX5417	01/12/15	-	3.00
511560XXXXXX5417	01/13/15	-	55.37
Subtotal		1,248.00	1,207.33
511560XXXXXX9689	01/02/15	832.00	-
511560XXXXXX9689	01/08/15	416.00	-
Subtotal		1,248.00	-
511560XXXXXX1541	01/02/15	832.00	-
511560XXXXXX1541	01/02/15	-	202.50
511560XXXXXX1541	01/02/15	-	202.50
511560XXXXXX1541	01/02/15	-	1.25

A Review of Certain Unemployment Insurance Payments
Improper Unemployment Insurance Benefits – Hall Trucking Service

Per Bank of America Statement

Account Number	Date	Benefits Issued	Benefits Drawn
511560XXXXXX1541	01/02/15	-	202.50
511560XXXXXX1541	01/02/15	-	1.25
511560XXXXXX1541	01/02/15	-	202.50
511560XXXXXX1541	01/02/15	-	1.25
511560XXXXXX1541	01/02/15	-	10.15
511560XXXXXX1541	01/02/15	-	1.71
511560XXXXXX1541	01/08/15	-	5.00
511560XXXXXX1541	01/08/15	416.00	-
511560XXXXXX1541	01/08/15	-	42.00
511560XXXXXX1541	01/09/15	-	203.00
511560XXXXXX1541	01/09/15	-	163.00
511560XXXXXX1541	01/09/15	-	1.25
511560XXXXXX1541	01/11/15	-	5.38
Subtotal		1,248.00	1,245.24
511560XXXXXX4897	01/02/15	832.00	-
511560XXXXXX7897	01/08/15	416.00	-
Subtotal		1,248.00	-
511560XXXXXX4150	01/02/15	832.00	-
511560XXXXXX4150	01/08/15	416.00	-
Subtotal		1,248.00	-
Total		\$ 13,728.00	4,939.14

** - Transaction history was not provided by the third-party administrator.

A Review of
Certain Unemployment Insurance Payments

Staff

This review was performed by:

Annette K. Campbell, CPA, Director
Jennifer Campbell, CPA, Manager
Ryan T. Jelsma, Senior Auditor II
Anthony M. Heibult, Staff Auditor
Matthew C. Hickenbottom, Staff Auditor


Tamera S. Kusian, CPA
Deputy Auditor of State

Appendix

A Review of
Certain Unemployment Insurance Payments

Copy of E-Mail Sent by the Former Chief Operations Officer

From: Wilkinson, Michael [IWD]
Sent: Friday, August 29, 2014 3:05 PM
To: Eklund, David [IWD]; Saddoris, Michelle [IWD]; Wood, Kirsten [IWD]; Boyer, Thad [IWD];
Lara, Jenifer [IWD]; Connor, Jane [IWD]; Linnenbrink, Jonathan [IWD]; VonBehren, Karen
[IWD]
Subject: Manual Batch Error report

By now all of you may have found cross match audits for the week ending March 8, 2014 that were part of the "MANBATCH". Since we are trying to track these errors, please send Dave Eklund the names and SS# for each case so we can determine if we need to relieve the employer account. If we find that there is cause for further investigation, Dave will let you know. Please send the name(s) and SS# to Dave by Wednesday September 3, 2014. Thank you for your help!

Michael Wilkinson
Division Administrator, UI Services
Iowa Workforce Development
1000 E. Grand Ave
Des Moines, IA 50319
(515) 281-4986
(515) 281-7695 fax
Michael.wilkinson@iwd.iowa.gov