

Employment Security Department

Agency 540

Audit Report	Finding Number	Finding and Corrective Action Status
2020 F	010	<p>Finding: The Employment Security Department did not have adequate internal controls over and did not comply with requirements to ensure only eligible recipients received Unemployment Insurance benefits.</p> <p>Corrective Action: The Department does not concur with the finding.</p> <p>The unprecedented attack on the state’s unemployment system resulted in more than \$600 million paid on claims that initially appeared legitimate but were later discovered to be fraudulent. While the Department acknowledges there was a targeted imposter fraud, the Department did not agree with some of the statements described in the condition of the audit finding. These disagreements are detailed in the Department’s response to the finding.</p> <p>For unemployment claims, benefits are based on employer reports of wages paid and hours worked as imported from the Department’s Next Generation Tax System. As such, claimant’s employment information in support of eligibility is verified in each claim. Under the CARES Act, the new federal Pandemic Unemployment Assistance program did not require claimants to submit documentation to substantiate employment or self-employment wages for these claims.</p> <p>It should also be noted that the emergency proclamation to waive the required one-week waiting period for benefit payments was issued to increase federal funds to Washington for claimants and program administration, and to speed economic recovery. The waiting week for unemployment claims has never been used to verify employment status and, therefore, did not increase the likelihood of improper payments. While the waiver did not cause the imposter fraud attack or deter the Department’s detection efforts, it did increase the amount of loss.</p> <p>It is inevitable that some benefit payments will be made to people who are ineligible. The Department’s obligation under federal and state statutes and regulations and the terms and conditions of federal awards, is to assess overpayments for improper payments and attempt to recover them by reasonable means. It is incorrect to assume all improper benefit payments are questioned costs.</p> <p>The Department transparently shared information about the imposter fraud and its response. By prompt and extensive effort, the Department had recovered a total of \$356.4 million as of November 2020. The Department continues to conduct investigations into suspected fraudulent claims and work with federal law enforcement and the banking industry to recover additional fraudulent payments.</p> <p>The Department is a national leader in its imposter fraud response. In addition to recovering funds, the Department took other measures to prevent further losses.</p>

State of Washington - Office of Financial Management
 Status of Audit Resolution
 December 2021

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Agency 540

Audit Report	Finding Number	Finding and Corrective Action Status
2020 F	010 (cont'd)	Completion Date: Not applicable Agency Contact: Jay Summers External Audit Manager PO Box 46000 Olympia, WA 98504-6000 (360) 742-9957 joshua.summers@esd.wa.gov

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Audit Report	Finding Number	Finding and Corrective Action Status	
2020 F	011	<p>Finding:</p> <p>Corrective Action:</p> <p>Completion Date:</p> <p>Agency Contact:</p>	<p>The Employment Security Department did not have adequate internal controls over and did not comply with federal requirements to conduct case reviews for the Benefit Accuracy Measurement program of the Unemployment Insurance program in a timely manner.</p> <p>The Department concurs with the finding.</p> <p>To address the staffing shortages in the Benefit Accuracy Measurement (BAM) program, the Department has hired four new staff for case sampling since September 2020.</p> <p>The Department hired one additional employee who started in May 2021 to be responsible for performing case reviews for the BAM program. The Department anticipates new staff will complete internal training and the National Association of State Workforce Agencies training within twelve months after the hire date. This staffing plan is aligned with the corrective action plan submitted to the U.S. Department of Labor as part of the required biennial State Quality Service Plan.</p> <p>The BAM unit is fully staffed, and once new staff are trained, the program will have sufficient resources to ensure case reviews are conducted in a timely manner in accordance with federally mandated timelines.</p> <p>Corrective action is expected to be complete by May 2022</p> <p>Jay Summers External Audit Manager PO Box 46000 Olympia, WA 98504-6000 (360) 742-9957 joshua.summers@esd.wa.gov</p>

Employment Security Department

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Audit Report	Finding Number	Finding and Corrective Action Status
2020 F	012	<p>Finding: The Employment Security Department did not have adequate internal controls over and did not comply with requirements to ensure quarterly performance reports for the Workforce Innovation and Opportunity grant were submitted completely and accurately</p> <p>Corrective Action: As of June 2021, the Department began the process of developing a comprehensive system and set of protocols to strengthen internal controls over the completion and submission of quarterly performance reports for the Workforce Innovation and Opportunity grant. Two Business Analyst positions will be hired to assist with the project.</p> <p>The current project includes the following:</p> <ul style="list-style-type: none"> • Establish a data management framework that supports the Department’s internal Participant Individual Record Layout (PIRL) validation controls and quality assurance processes to research and identify anomalies. • Initiate a process to outline, identify, and develop documented requirements for common PIRL data elements. • Establish a standardized framework that provides technical assistance (TA) sessions to the job centers, actively manages PIRL related performance, and provides ongoing TA training sessions. • Define and develop a PIRL data architecture that will enable greater data integrity and internal controls. • Develop written procedures for: <ul style="list-style-type: none"> ○ A data validation strategy to identify and correct errors or missing data. ○ Monitoring protocols. ○ Quarterly data review and electronic data checks. ○ Annual staff training. • Establish a governance and change management framework for maintaining documentation of the validation process to ensure compliance as federal requirements are updated and/or established. <p>As of June 30, 2021:</p> <ul style="list-style-type: none"> • A draft technical assistance framework has been mapped, key stakeholders are engaged, and gaps are being assessed. • A quarterly analysis data quality process, which aligned with the US Department of Labor’s expectations, was initiated with key stakeholders to ensure that critical PIRL elements are reviewed regularly. <p>Completion Date: Corrective action is expected to be complete by March 2022</p>

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Audit Report	Finding Number	Finding and Corrective Action Status
2020 F	013	<p>Finding: The Employment Security Department did not have adequate internal controls over and did not comply with requirements to perform risk assessments or fiscal monitoring for subrecipients of the Workforce Innovation and Opportunity Act grant.</p> <p>Corrective Action: The Department has established procedures for monitoring Local Workforce Development Boards (LWDBs), which includes mandatory annual onsite monitoring and a risk-based assessment process throughout the monitoring process.</p> <p>Due to the Governor’s Stay Home, Stay Healthy order, the Department was not able to resume normal monitoring activities in the last part of the fiscal year. The Department did reach out to the U.S. Department of Labor to seek a waiver which was not granted. The Department has since developed protocols and tools to allow remote-virtual review of fiscal documentation.</p> <p>During the fiscal year 2020 review period, there were four LWDBs that did not receive a comprehensive administrative and fiscal review. The Department had communicated to those LWDBs that the fiscal year 2021 review would cover two years’ worth of expenditures and activities.</p> <p>As of June 2021, the Department completed full reviews of the four LWDBs that encompassed both fiscal years.</p> <p>The conditions noted in this finding were previously reported in finding 2019-012.</p> <p>Completion Date: June 2021, subject to audit follow-up</p> <p>Agency Contact: Jay Summers External Audit Manager PO Box 46000 Olympia, WA 98504-6000 (360) 742-9957 joshua.summers@esd.wa.gov</p>