



STATE OF WASHINGTON

April 12, 2021

The Honorable Pat McCarthy
Washington State Auditor
P.O. Box 40021
Olympia, WA 98504-0021

Dear Auditor McCarthy:

Thank you for the opportunity to review and respond to the State Auditor's Office performance audit report on Washington's Unemployment Benefit Programs in 2020: Understanding improper payments and service delays during the COVID-19 pandemic. The Employment Security Department (ESD) and Office of Financial Management (OFM) worked together to provide this response.

We appreciate that the performance audit report recognizes the extreme scope, scale and complexities of challenges the pandemic posed for unemployment insurance systems across the country. We also appreciate that the audit team spent considerable time and effort to fully understand the difficult situation the pandemic created here in Washington.

Some of the factors that contributed to the fraud were unintended consequences of decisions made to help those in need of relief – such as using the financial incentives provided in the federal CARES Act that required payment of pandemic unemployment assistance (PUA) upon claimants' self-certification and without documentation.

As the report acknowledges, while Washington was the first state to report massive UI fraud, many other states experienced fraud in their programs. Some states only reported the number of claims stopped, and not the fraudulent payment amounts. Other states chose not to discuss their losses publicly at all.

We are proud of the transparency ESD has provided throughout this crisis — to the public and to the SAO, the U.S. Department of Labor and its Office of Inspector General (OIG), the Social Security Administration's OIG, the Federal Bureau of Investigation, the Washington State Attorney General's Office, the National Association of State Workforce Agencies, and financial institutions in Washington and across the country. As your previous audit noted, ESD played a national leadership role both in preventing further unemployment fraud loss in Washington and in assisting the federal government and other states in preventing the loss of billions of dollars in benefits.

It's also important to note that, as we review what took place and take corrective actions, our estimates of how much money was stolen through fraudulent claims and how much was recovered will continue to change. In addition, while the report also states that the unemployment insurance fraud could create some costs for businesses, we believe that is unknown at this point.

And while we may have different assessments on some items — for example, the role the waiting week played in the overall fraud — we generally agree on the conclusions. The controls, countermeasures and steps the department has taken to adapt to this ever-changing crisis and address the unprecedented impostor fraud attack were the right ones. We will continue to review and improve these measures. These steps have limited the fraud and improved the customer experience for people filing unemployment claims, who continue to be our highest priority.

Cabinet Response to SAO Performance Audit

April 12, 2021

Page 2 of 2

Please thank your team for their collaborative approach throughout this performance audit.

Sincerely,



Cami Feek
Acting Commissioner
Employment Security Department



David Schumacher
Director
Office of Financial Management

cc: Jamila Thomas, Chief of Staff, Office of the Governor
Kelly Wicker, Deputy Chief of Staff, Office of the Governor
Keith Phillips, Director of Executive Policy Office, Office of the Governor
Patricia Lashway, Deputy Director, Office of Financial Management
Christine Bezanson, Director, Results Washington, Office of the Governor
Tammy Firkins, Performance Audit Liaison, Results Washington, Office of the Governor
Scott Frank, Director of Performance Audit, Office of the Washington State Auditor
Phil Castle, Interim Deputy Commissioner, Employment Security Department