



# **AUDITOR'S REPORT BREAKDOWN**

State Workforce Development Board

February 26, 2016 Meeting

# **AUDITOR'S REPORT:**

**A Review of Certain Unemployment Insurance  
Payments Made by Iowa Workforce Development**

**For the Period:**

**January 1, 2012 – January 13, 2015**

**Available online at:**

**<http://auditor.iowa.gov/reports/I360-3090-BE01.pdf>**

## Total Improper UI Benefits Payments and Uncollected Penalties:

**\$909,554.17**

**1**

2012 Fictitious Employer Scam:

**\$97,119.29**

**2**

2013 Random UI Benefits Sample:

**\$66,162.49**

**3**

2014 First Quarter UI Benefits Sample:

**\$312,406.15**

**4**

March 8, 2014 Malfunction:

**\$433,866.24**

# 2014 First Quarter

**3**

2014 First Quarter UI Benefits Sample:  
**\$312,406.15**

**+**

**4**

March 8, 2014 Malfunction:  
**\$433,866.24**

**=**

Overpayment and Uncollected Penalties Total:  
**\$746,272.39**

# 2012 Fictitious Employer Scam

## **What is a fictitious employer scam?**

- 1) Criminals set up a UI account for a fictitious employer
- 2) The fictitious employer does not pay UI taxes
- 3) The criminals pose as employees of the fictitious employer and file UI benefits claims
- 4) The criminals collect UI benefits from the UI trust fund without the fictitious employer having paid UI taxes into the fund

# 2012 Fictitious Employer Scam

## 2012 Scam Details:

- Criminals set up a fictitious UI employer account
- IWD paid \$112,741.00 in UI benefits to criminals posing as employees of the fictitious employer
- IWD was able to recoup \$15,621.71 in unspent benefits from debit-card company
- Total paid to the criminals: \$97,119.29
- IWD could potentially recoup this if the criminals are caught, prosecuted, and convicted

# 2

## 2013 Random UI Benefits Sample

### **Details:**

- Separate from March 8, 2014 malfunction
- Claims reviewed: 44
- Overpayment total: \$66,162.49

# 2

## 2013 Random UI Benefits Sample

### **IWD Action:**

- Overpayment determinations already made on approximately 90% of the claims
  - Approximate total: \$59,0000
- Working to make overpayment determinations on the remaining claims
  - Approximate remaining total: \$7,162.49



# 3

## 2014 Random UI Benefits Sample

### Details:

- Separate from March 8, 2014 malfunction
- Sample from First Quarter of 2014
- UI benefits claims reviewed: 557
- Overpayment total: \$289,379.65
- Uncollected penalties total: \$26,026.50
- Combined total: \$312,406.15

# 3

## 2014 Random UI Benefits Sample

### **IWD Action:**

- Overpayment determinations already made on approximately 60% of the claims
  - Total: \$187,000.00
- Working to make overpayment determinations on the remaining 40%
  - Approximate remaining total: \$125,406.15

# 4

## March 8, 2014 Malfunction

### **Details:**

- Malfunction of the IWD telephone weekly certification system
- Caused some claimants to receive one additional benefits deposit each
- Claims: 1,552
- Potential overpayment total: \$433,866.24

## 2014 IWD Response:

- Former administration made the decision not to investigate the extent of the overpayments made due to the malfunction
  - No overpayment determinations made
  - Rejected offers from claimants to repay benefits improperly received due to the malfunction

# 4

## March 8, 2014 Malfunction

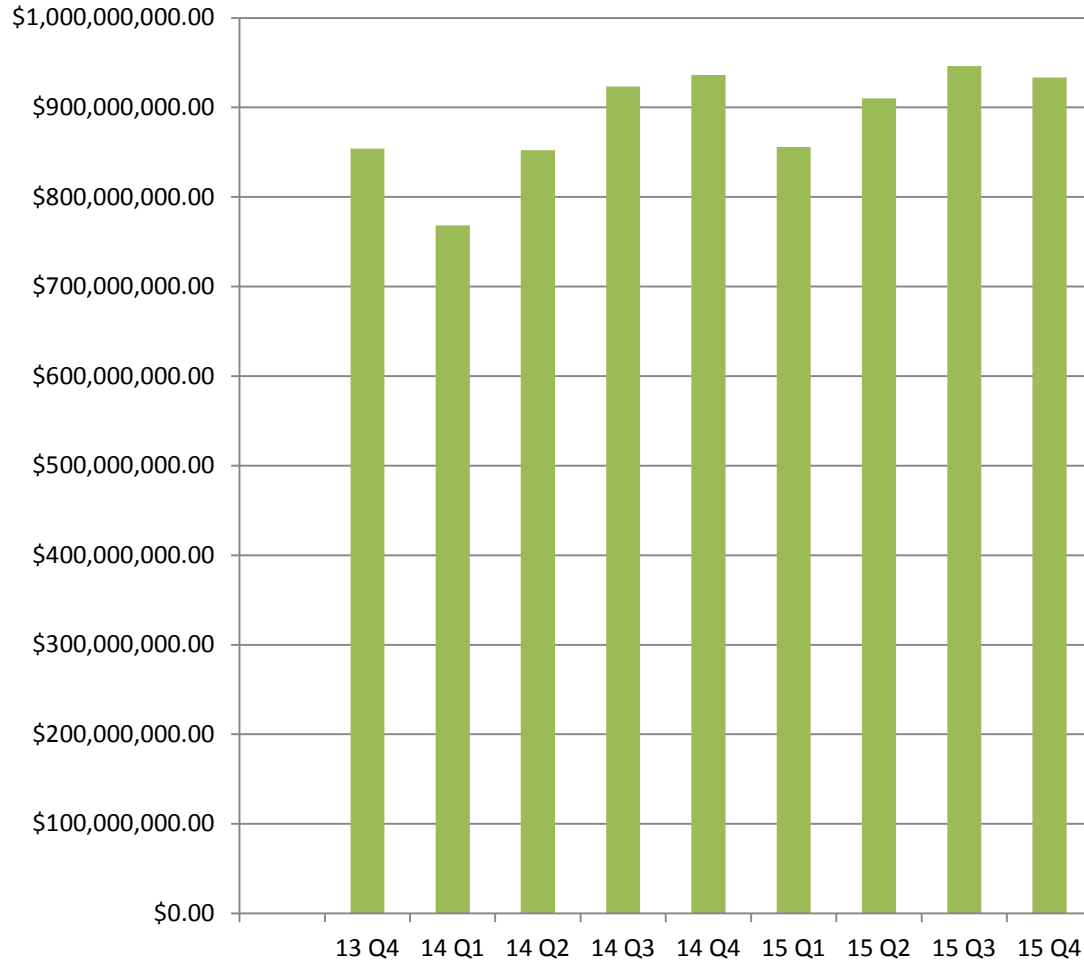
### **IWD Action:**

- Credited approximately 60% of the employer accounts improperly charged due to the malfunction
  - Approximate total: \$260,000
- Working to credit the remaining 40% of employer accounts improperly charged
  - Potential remaining total: \$173,866.24
- Conducting tax-rate reviews of all impacted employers
  - Adjustments will be made as appropriate

# Iowa UI Employer Tax Rate

- **2011: 2.8%**
- **2012: 2.4%**
- **2013: 2.0%**
- **2014: 1.6%**
- **2015: 1.2%**
- **2016: 1.6%**

# Iowa UI Trust Fund Balance\*



- **Q4 2013:** \$853,935,394.55
- **Q1 2014:** \$768,243,394.55
- **Q2 2014:** \$852,313,394.55
- **Q3 2014:** \$923,382,619.55
- **Q4 2014:** \$936,055,619.55
- **Q1 2015:** \$855,925,619.55
- **Q2 2015:** \$910,316,950.66
- **Q3 2015:** \$946,161,950.66
- **Q4 2015:** \$933,489,950.66

*\*Balance on the morning of the last day of each quarter.*