

From: McCarthy, Pat (SAO) <mccarthyp@sao.wa.gov>
Sent: Wednesday, June 10, 2020 1:27 PM
To: Jinkins, Laurie <laurie.jinkins@leg.wa.gov>
Subject: Employment Security Department

Dear Speaker Jinkins,

As you know, in the midst of a global pandemic and economic crisis, the unemployment insurance program overseen by the Employment Security Department was successfully targeted in a major fraud scheme. Like you, I have heard from Washingtonians wanting to understand how this fraud could have occurred and why benefits were delayed, especially in a time when so many have lost their jobs and need the extra help those benefits offer.

Several legislators have asked how the State Auditor's Office can help. First, routine audits are essential to accountability, and previously scheduled audit work is under way now at ESD. Clearly, a large loss has occurred – despite recovering more than \$300 million in stolen funds – and that loss will have a significant effect on the state's federal grant audit and the comprehensive annual financial report for 2020.

Given the scale of the loss and the public's high expectations of transparency and accountability in this matter, I have directed my staff to conduct additional, special audit work. That work will review two areas: a performance audit to examine the factors that led to delayed and improper payments for unemployment benefits, and an information technology audit to examine potential weaknesses in the computer systems that support the unemployment program.

As you likely are aware, audits are typically retrospective, reviewing the expenditures and actions of previous years. Recent audits, conducted before the pandemic, reviewed the agency's [payroll and travel expenses](#), identified [issues in the Next Generation Tax System](#), and made recommendations to [prevent benefits being paid to people who are incarcerated](#).

Any examination of ESD now must recognize that the agency could not have reasonably anticipated the unprecedented number of claims it has received. Nothing in the history of our unemployment insurance program compares to this moment, in which a global pandemic created a wave of job loss 10 times greater than any before it.

The role of the State Auditor's Office is to provide the public independent and objective reviews. We are not an enforcement or regulatory agency, and no audit will solve the most urgent problem – how to quickly deliver unemployment benefits to every Washingtonian who deserves them. Nevertheless, there clearly are lessons to be learned, and we intend to illuminate them.

I know you are also committed to correcting issues and delivering services to our communities in these challenging times. I am confident that, together, we will emerge from this crisis stronger than before.

Sincerely,

Pat McCarthy



Pat McCarthy

Washington State Auditor, [Office of the Washington State Auditor](#)

(360) 688-6509 cell | Pronouns: She, Her, Hers

We're on social! Follow us on [Facebook](#), [Twitter](#) and [LinkedIn](#).