



State of Tennessee

Justin P. Wilson, State Comptroller

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Unemployment Insurance Program Plagued by Overpayments and Delayed Benefits

The \$1.2 billion unemployment insurance program administered by the state's Department of Labor and Workforce Development has made overpayments exceeding \$73 million due to fraud and errors over the last six years.

State auditors found that the department's internal controls for the program were ineffective or non-existent, resulting in overpayments of claims due to fraud or error. The department's efforts to review fraudulent claims and claims paid in error and to collect overpayments were also strained. The department has only been able to collect 23 percent of the overpayments on average.

In addition, those citizens who were actually eligible for benefits did not receive them in a timely manner. Due to increased backlogs in the department's claims process, some benefit payments were delayed for those who needed help.

Those are among the findings of the state's Single Audit Report, which was released today. The Single Audit Report is an annual audit of state agencies and universities' compliance with federal requirements. The new report, covering the fiscal year that ended June 30, 2012, examines more than \$15.9 billion of federal funds spent by state government.

In all, the report contains 48 findings with recommendations for improvement at 11 different state agencies and universities. The Department of Labor and Workforce Development was the subject of 12 of those findings, including the ones related to the unemployment insurance program.

State auditors concluded that management's failure to properly administer this state/federal program jeopardizes the integrity and future viability of the program.

"The state's unemployed citizens must be able to rely on the Department of Labor and Workforce Development officials to properly administer the unemployment insurance program and provide critical benefits to those who are dependent on them," Comptroller Justin P. Wilson said. "The new acting commissioner of the department has responded and initiated a corrective action plan to strengthen controls and establish program oversight. We appreciate the new commissioner's prompt action as well

as the former commissioner’s request for a review of specific allegations when she identified fraud risks within the department.”

To view the Single Audit Report online, go to:

http://www.comptroller.tn.gov/repository/SA/2012_TN_Single_Audit.pdf

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Media contact: Blake Fontenay, Communications Director, (615) 253-2668 or blake.fontenay@tn.gov