



STATE OF WISCONSIN

Legislative Audit Bureau

Joe Chrisman
State Auditor

22 East Mifflin Street, Suite 500
Madison, Wisconsin 53703

Main: (608) 266-2818
Hotline: 1-877-FRAUD-17

www.legis.wisconsin.gov/lab
AskLAB@legis.wisconsin.gov

DATE: November 2, 2023

TO: Senator Eric Wimberger and
Representative Robert Wittke, Co-chairpersons
Joint Legislative Audit Committee

FROM: Joe Chrisman
State Auditor 

SUBJECT: Proposed Audit of Unemployment Insurance Fraud and Investigation Activities—
Background Information

At your request, we have gathered some background information that the Joint Legislative Audit Committee may find helpful in considering an audit of the activities of the Department of Workforce Development (DWD) to detect, investigate, and prevent fraud in the Unemployment Insurance program.

Wisconsin's program was enacted in 1932 and was the first such program in the United States. The program, which is authorized in ch. 108, Wis. Stats., is accounted for in the State of Wisconsin Unemployment Reserve Fund and is managed by DWD. The program provides benefits temporarily to replace a portion of lost wages for eligible individuals who become unemployed through no fault of their own. Administrative costs of the program are funded primarily by federal grants, and these costs are accounted for in the State's General Fund.

Individuals are sometimes paid more unemployment benefits than they are entitled to receive. Such overpayments can occur if the individual or employer unintentionally provides incorrect information used to calculate weekly benefit amounts or if DWD makes an error in determining the amount of benefits paid. It may also occur through no fault if, for example, an individual was paid benefits based on accurate information but was later awarded back pay from an employer, thereby reducing the amount of benefits that should have been paid. In contrast, Unemployment Insurance fraud can include imposter fraud, internal fraud, and intentional misrepresentation. DWD indicates that fraud occurs when an individual knowingly provides false information, or withholds facts, to obtain UI benefits for which they are not eligible. DWD also indicates that employers commit fraud when they provide false information, deliberately misclassify an employee as an independent contractor, or have knowledge that an individual is submitting a false claim.

DWD is statutorily required to report annually to the Unemployment Insurance Advisory Council on its activities related to detecting and prosecuting program fraud in the previous year. In its calendar year 2022 report, which was submitted on March 15, 2023, DWD reported that:

- of the \$344.5 million in payments made in 2022, \$1.4 million (0.4 percent) were found to be fraud overpayments;
- of the \$2.5 billion in payments made in 2021, \$29.6 million (1.2 percent) were found to be fraud overpayments; and
- of the \$4.8 billion in payments made in 2020, \$25.8 million (0.5 percent) were found to be fraud overpayments.

Fraud in the program is investigated by staff in the Integrity and Quality Section of the Benefit Operations Bureau. DWD reports engaging in multiple activities to detect, investigate, and report fraud, including participation in the Integrity Data Hub of the National Association of State Workforce Agencies, cross-matches of benefit payment records with other records, audits of employers, investigations of complaints and tips, and contacts with law enforcement.

An audit of DWD's fraud and investigation activities could:

- analyze the current scope of DWD's activities, evaluate how DWD conducts each activity, and assess how these activities have changed in recent years;
- analyze the operations of the Integrity and Quality Section, including staffing, training, and time spent on fraud and investigation activities;
- assess the outcomes of DWD's fraud and investigation activities, including by quantifying the number of investigations conducted, the results of the investigations, the amounts identified and overpayments resulting from investigations, and the collection of overpayments;
- determine the factors that explain the trends in the amounts of fraudulent payments that DWD identified;
- determine DWD's compliance with any standards set by the U.S. Department of Labor related to program integrity efforts, such as improper payment rates;
- compare the fraud and investigation activities of DWD to those of other states and determine the extent to which DWD has employed best practices; and
- quantify referrals made by DWD to district attorneys or to the Wisconsin Department of Justice for prosecution and recovery of fraudulent payments.

I hope you find this information helpful. Please contact me with any questions.

JC/ak

cc:	Senator Jesse James	Representative John Macco
	Senator Howard Marklein	Representative Mark Born
	Senator Dianne Hesselbein	Representative Francesca Hong
	Senator Tim Carpenter	Representative Ryan Clancy

Amy Pechacek, Secretary
Department of Workforce Development