

# **Special Report on Unemployment Compensation Payments Issued by the Alabama Department of Labor**

**Montgomery, Alabama**

**October 1, 2020 through September 30, 2022**

**Filed: January 13, 2023**



## **Department of Examiners of Public Accounts**

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*Rachel Laurie Riddle, Chief Examiner*

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Honorable Rachel Laurie Riddle  
Chief Examiner of Public Accounts  
Montgomery, Alabama 36130

Dear Madam:

A special report on unemployment compensation payments issued by the Alabama Department of Labor was conducted for the period of October 1, 2020 through September 30, 2022. Under the authority of the *Code of Alabama 1975*, Section 41-5A-19, I hereby swear to and submit this report to you on the results of the report.

Respectfully submitted,

Dixie B. Thomas  
Examiner of Public Accounts

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# *Report*

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### **General Information**

The Alabama Department of Labor (the “ADOL”) operates under the authority of the *Code of Alabama 1975*, Title 25. The ADOL administers programs relating to unemployment compensation, employment service, workers’ compensation, abandoned mine lands reclamation, mine safety and inspection, labor unions and labor relations, child labor, and elevator safety. This report presents the results of a limited review of unemployment compensation payments made from October 1, 2020 through September 30, 2022. This review included an analysis and testing of three areas considered to be of high-risk of unemployment benefits paid in error during the review period. The high-risk areas were whether payments were issued to inmates in the state’s custody or deceased individuals, as well as an analysis of the mailing addresses being used by claimants. This review was conducted in accordance with the requirements of the Department of Examiners of Public Accounts under the authority of the *Code of Alabama 1975*, Section 41-5A-12.

Unemployment Insurance (UI) is a joint state-federal program that provides cash benefits to eligible workers. Each state administers a separate unemployment insurance program, but all states follow guidelines established by federal law. UI benefits paid to qualifying individuals are known as unemployment compensation. Unemployment compensation is a weekly benefit paid to workers who are either unemployed or working reduced hours, through no fault of their own. Not all individuals who apply for unemployment compensation benefits qualify because certain conditions must be met in order to meet eligibility requirements. The ADOL’s UI programs for the review period included regular unemployment compensation and pandemic related unemployment compensation.

Federally funded pandemic unemployment compensation benefits in Alabama began with weeks of unemployment beginning on or after January 27, 2020. These benefits were ended in Alabama by Governor Kay Ivey for weeks filed prior to and up to June 19, 2021. These pandemic unemployment compensation programs included:

1. Federal Pandemic Unemployment Compensation that provided for an additional \$300 weekly payment to recipients of unemployment compensation.
2. Pandemic Unemployment Assistance that provided benefits for those who would not usually qualify, such as the self-employed, gig workers, and part-time workers.
3. Pandemic Emergency Unemployment Compensation that provided for an extension of benefits once regular benefits had been exhausted.
4. Mixed Earner Unemployment Compensation that provided an additional \$100 benefit to certain people with mixed earnings.

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The ADOL was required to continue to process eligible claims for these programs if weekly certifications for benefits were filed before weeks ending prior to June 19, 2021, even if payments were not issued until a later date. Pandemic related unemployment compensation benefit payments were issued by ADOL in the fiscal year ending September 30, 2022; however, the payments were related to claims with benefit week ending dates prior to June 19, 2021.

### **Data Received**

We obtained data files from the ADOL containing information related to unemployment compensation payments made to claimants for fiscal years ending September 30, 2021, and September 30, 2022. This information was analyzed and compared to data from other state and federal sources. These data files contained information specific to each payment issued including the claimants' names, addresses, social security numbers, the benefit week ending date related to each payment, and the payment issuance date. The data elements included in the data files that were used in our comparisons are listed below.

#### **Data Elements Defined:**

- **Claimant's Name:** Legal name of the individual filing for unemployment compensation benefits.
- **Mailing Address:** The address where the claimant receives correspondence related to claims from ADOL. The ADOL allows for unemployment compensation benefits paid by the AL Vantage Prepaid Benefits Card. This card is mailed to the mailing address on file for the claimant. It is the claimant's responsibility to keep the ADOL Unemployment Compensation Division informed of their correct mailing address.
- **Residence Address:** The address where the claimant resides.
- **Social Security Number:** The unique identification number assigned to legal residents of the United States. According to Alabama Department of Labor Administrative Code 480-4-3-.07, in order for a claim for unemployment benefits to be processed, the law requires the claimant to furnish the Unemployment Compensation Agency his/her correct social security number.
- **Benefit Week Ending Date:** Weekly certifications are required to be filed by claimants between 12:01 AM Sunday through 5:00 PM Friday (Central Time). This is the Friday of each week a certification is filed.
- **Payment Issuance Date:** The date the unemployment compensation benefit payment was issued to the claimant.

Based on the data files provided, for fiscal year ending September 30, 2021, the ADOL issued 6,992,751 unemployment compensation payments totaling \$1,621,018,256.00 to 248,480 individuals based upon unique social security numbers. These payments included regular unemployment benefits as well as pandemic related unemployment benefits. For fiscal year ending September 30, 2022, the ADOL issued 548,727 unemployment compensation payments totaling \$127,857,858.00 to 62,943 individuals based on unique social security numbers.

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### **Results**

The data described on the previous page from ADOL was used to perform testing and analysis of the identified areas with higher risks of unemployment benefits payments being made in error. The data from ADOL was used in conjunction with information received from other state and federal sources. The results of our limited review are presented below.

#### **A. Unemployment Compensation Paid to Inmates in State’s Custody**

Our review of unemployment compensation benefit payments found that the ADOL issued payments to individuals in the custody of the Alabama Department of Corrections (the “ADOC”) during the time the benefits were claimed. The *Code of Alabama 1975*, Section 25-4-10(b)(25) states that the term “employment shall not include services performed by an individual committed to a penal institution.” Additionally, 20 CFR 604.3(a) requires a State only pay an individual who is able and available to work for the week which Unemployment Compensation (UC) is claimed. This means that individuals who are in prison, jail, or other correctional facilities should not be filing weekly certifications and receiving unemployment compensation benefit payments.

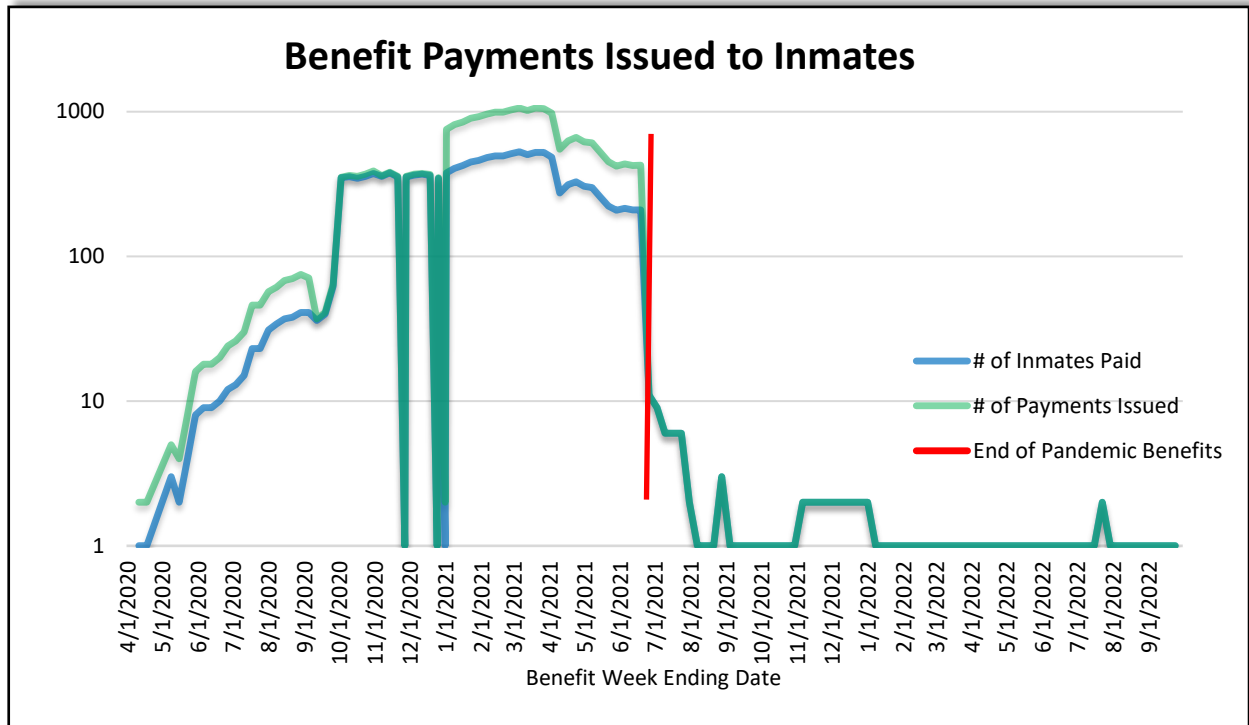
Data files were obtained from the Alabama Department of Corrections (the “ADOC”) for fiscal years ending September 30, 2021 and September 30, 2022. These data files included the names and social security numbers of individuals incarcerated with the ADOC, as well as the dates that the individuals arrived and departed ADOC custody. This data was compared against the data received from the ADOL. Individuals were matched using the social security numbers provided by the ADOC and ADOL. After identifying claimants paid by ADOL with social security numbers matching individuals listed in ADOC custody during the period, the “Benefit Week Ending” date associated with each payment issued by ADOL was compared to the dates of incarceration provided by ADOC. The “Benefit Week Ending” date was used since claimants are required to complete weekly certification of eligibility requirements to receive payments.

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### 1) Unemployment Compensation Benefit Payments Issued to 994 Incarcerated Individuals

The comparison of social security numbers of individuals in the custody of the ADOC to the social security numbers of claimants receiving unemployment compensation payments from the ADOL revealed that 24,756 benefit payments totaling \$5,305,841.00 were made to 994 incarcerated individuals.



A significant decrease in the number of unemployment compensation claims paid to individuals who were identified in the custody of ADOC can be seen in June 2021. Alabama's participation in pandemic relief related to unemployment compensation was ended on June 19, 2021. Any certifications filed prior to and up to June 19, 2021, that met eligibility requirements under any of the federal program requirements, were processed under these programs.

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### **2) Verification Process in Place at Department of Labor Not Sufficient**

The verification process in place at ADOL was not sufficient to identify payments made to inmates in custody of the ADOC. A sample of 112 individuals identified as inmates was traced to records maintained by ADOL to determine if the verification process had detected that payments were being made to incarcerated individuals. We found that only two of the records had notations of the claimant being incarcerated. We found that 17 individuals identified in ADOC custody were paid throughout both fiscal years. There were notations of claimants flagged by ADOL for various reasons that resulted in benefit payments to certain claimants identified being cut off; however, it was not because the individual was incarcerated. It was observed that overpayments were not always calculated when a determination was made which resulted in a claimant's payments being stopped. This means that the ADOL has not taken appropriate action to attempt to recover these payments.

We presented our observations to ADOL's staff at a meeting in November 2022 and were told that ADOL did not have a verification process in place to detect whether claimants being paid were inmates in the custody of ADOC. The ADOL does employ Unemployment Insurance ("UI") staff investigators that research and verify incarceration dates of claimants with ADOC manually due to known issues with current reports received from ADOC identifying possible gaps in incarceration dates. However, ADOL stated they plan to implement a Prisoner Update Processing System to correct this issue soon.



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### **B. Unemployment Compensation Payments Made to Deceased Claimants**

Our review of unemployment compensation benefit payments found that the ADOL was issuing benefit payments to individuals whose social security numbers identified the individual as deceased. We provided information on unemployment compensation benefits payments issued to claimants, which included social security numbers, from the data files received from the ADOL to the U. S. Department of the Treasury's Bureau of the Fiscal Service's Do Not Pay (DNP). DNP operates a resource dedicated to preventing and detecting improper payments. DNP uses various databases in their portal for federal agency programs and federally funded state programs to compare payments against in order to prevent or detect the improper payments. In order to protect any personally identifiable information, DNP allowed our Department to use a secure interface to submit the information on payments issued to claimants to be checked against their death database sources. This U. S. Department of the Treasury resource, DNP, is also available to the ADOL.

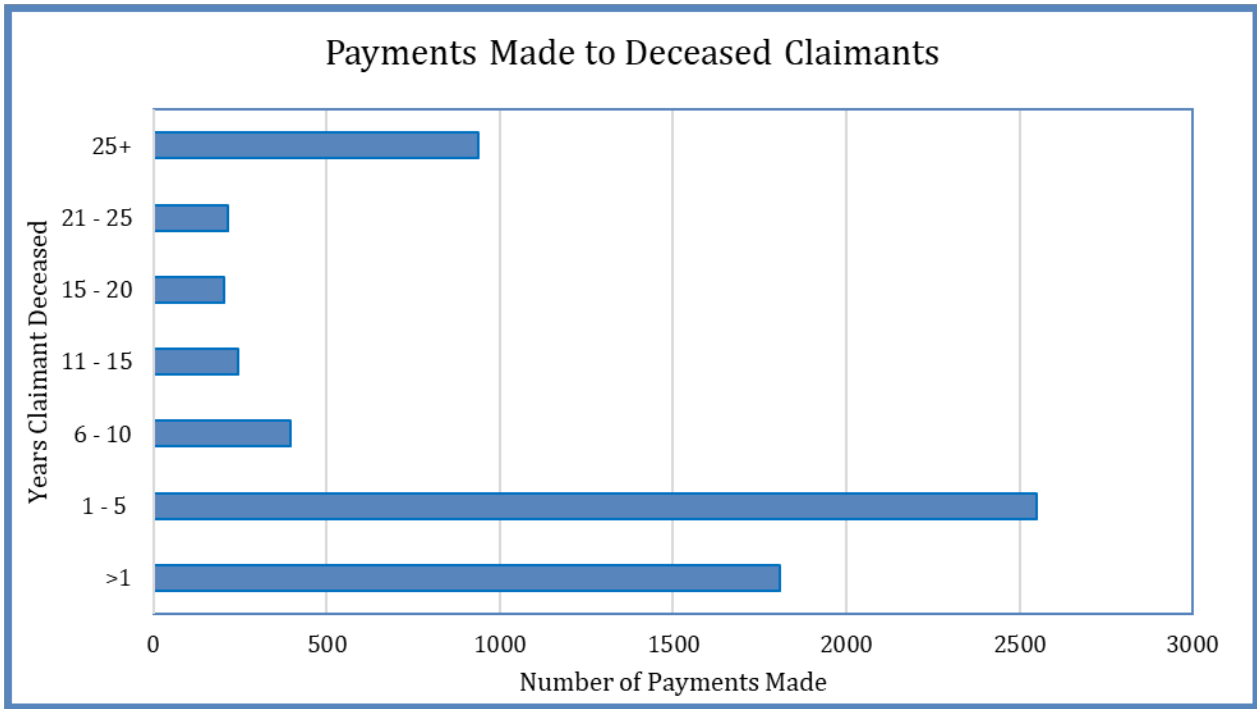
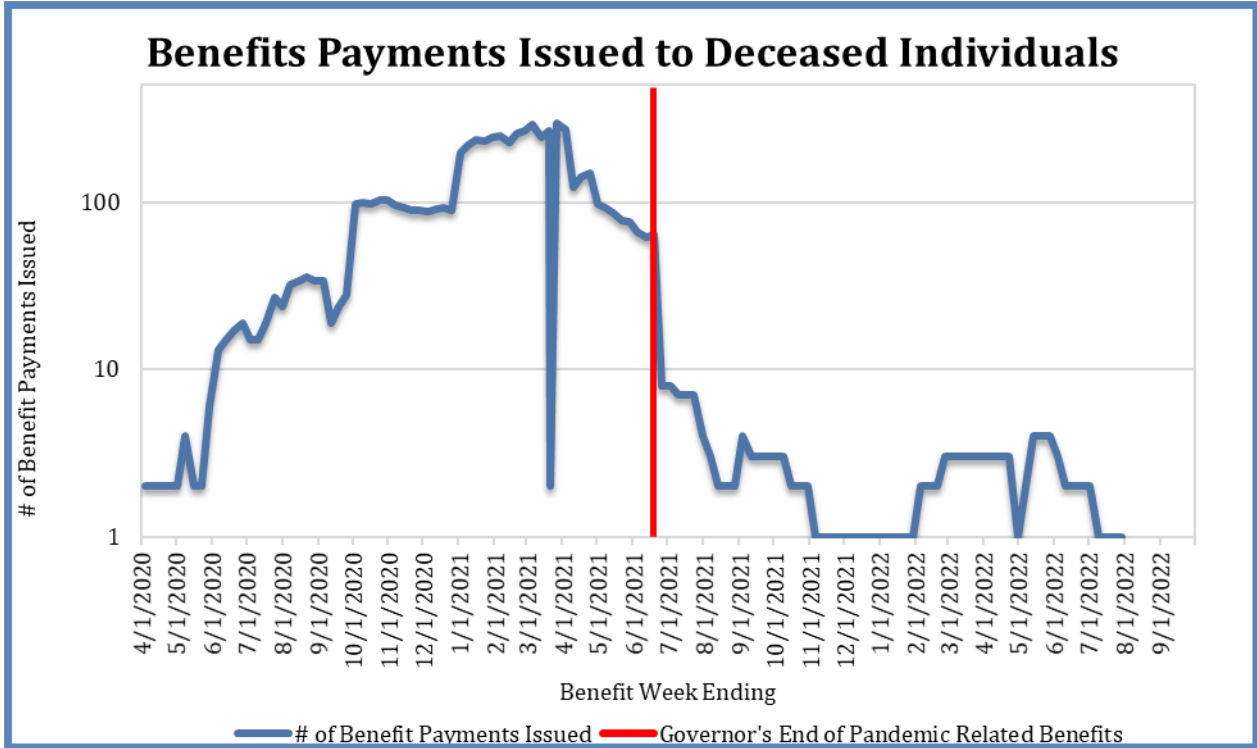
We compared the results provided by DNP, which included the date of death for each matched individual's social security number, to the "Benefit Week Ending" dates associated with each payment issued by ADOL. The "Benefit Week Ending" date was used since claimants are required to complete weekly certification of eligibility requirements to receive payments. Additionally, 20 CFR 604.3(a) requires a State only pay an individual who is able and available to work for the week which Unemployment Compensation (UC) is claimed. If the matched claimant's date of death is prior to the "Benefit Week Ending" date, the claimant would not be considered able and available to work for the week being claimed and thus, not entitled to receive benefits.

#### **1) Over 300 Deceased Individuals Issued Unemployment Compensation Benefit Payments**

The comparison of information provided by DNP to the data files provided by ADOL revealed that 302 claimants received 6,345 unemployment compensation benefit payments totaling \$1,349,255.00 during the reviewed period of October 1, 2020 through September 30, 2022 despite being identified by the U. S. Department of the Treasury's Bureau of the Fiscal Service's Do Not Pay as deceased. The height of claims paid to deceased individuals was for benefit week ending March 27, 2021 when 296 claims were paid. The dates of death of the individuals identified as deceased ranged from February 1943 to May 2022.

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### **2) ADOL’s Reactive Response Not Considered Timely**

The issue of ADOL making unemployment compensation payments to deceased individuals has been reported prior to the issuance of this report. A finding related to ADOL’s lack of a well-designed system of internal controls to identify deceased claimants was reported in the Department of Examiners of Public Accounts’ (the “Department”) Single Audit of Federal Award Programs for fiscal years ending September 30, 2020 and September 30, 2021. The staff of the ADOL was first informed by the Department of deceased individuals receiving payments at an Exit Conference on October 25, 2021. The ADOL issued 229 payments to 22 deceased claimants subsequent to being informed of the issue. The ADOL contracted with Integrity Data Hub on July 20, 2022 to institute a verification process to remedy the issue of payments being made to claimants that are deceased. According to ADOL staff, the contract with Integrity Data Hub was activated on November 18, 2022.

### **C. Payments Made to Numerous Claimants with Duplicate Addresses**

In our analysis of the data received from ADOL for the fiscal year ending September 30, 2021, we found that there were a significant number of payments made to claimants who had the same mailing addresses. Many of these duplicate addresses were also out-of-state addresses. The ADOL verification process did not have a mechanism in place that would flag an application or alert ADOL when multiple claimants used the same address when applying for benefits. Claimants were able to file for unemployment compensation benefits using the same addresses as other claimants or were able to change the address with no type of flag or alert that numerous other claimants had the same information listed. When presented with questions regarding the payments made to multiple claimants with the same address, ADOL staff told us that their staff manually researched these issues during the pandemic. Internal Security at ADOL began investigating as soon as they became aware of the magnitude of issues in April of 2020 and worked as quickly as possible to get these accounts suspended. According to ADOL staff, when one address has more than five claimants, then an investigation should be triggered to verify the information.

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### 1) ADOL’s Verification Process Did Not Flag 119 Claimants Listing Same Apartment Address

The chart below details the mailing addresses found in the data from ADOL where twenty or more claimants listed the same mailing address. The addresses were searched using Google and the type of housing unit was noted. ADOL’s verification processes did not alert or flag that 119 claimants were receiving mail to the same apartment in Maryland or 111 claimants to a commercial building in Texas. In addition to the addresses listed below, our analysis found an additional 35 duplicate mailing addresses listed by between 10 and 20 claimants per address.

<b>Addresses listed by 20 or more Claimants</b>			
# of Claimants	State	Zip Code	Type of Housing
119	MD	21206	Apartment Building
111	TX	77084	Commercial Building
93	VA	23228	Apartment Building
67	NJ	07112	Multi-Family Home
51	IN	46123	Single Family Home
49	TX	77566	Single Family Home
46	AL	35243	Single Family Home
46	OH	45044	Single Family Home
41	AL	36426	Single Family Home
37	NV	89074	Townhouse Home
37	NC	28470	Single Family Home
30	IN	46526	Single Family Home
27	NY	13630	Single Family Home
26	AL	35031	Apartment Building
25	AL	35243	Single Family Home
24	NC	28205	Single Family Home
24	MA	01075	Single Family Home
22	NJ	07114	Single Family Home
21	NJ	07103	Single Family Home
21	IN	46254	Apartment Building

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We reviewed unemployment compensation benefits payments made to claimants who had an address which was also claimed by at least twenty or more other claimants for payments issued between October 1, 2020 and September 30, 2021. We found instances in which numerous payments were made before the address duplication was detected by ADOL. Once the address duplications were detected by the ADOL the payments were stopped; however, the ADOL did not always calculate overpayments. This means that the ADOL has not taken appropriate actions to attempt to recover these payments.

### **2) Addresses May Have Been Fraudulently Provided to ADOL**

We used LexisNexis Accurint for Government to research fifty claimants from the two addresses noted above with the highest number of claimants paid. LexisNexis Accurint for Government is a service that can be used to locate individuals, accurately verify someone's identity, and better detect fraud. It allows users to verify essential personal information such as an individual's name, address, and social security number. Our research found that none of the fifty claimants were or had been associated with the addresses shown in ADOL's system. This suggests that these addresses may have been fraudulently provided to ADOL. The ADOL has access to LexisNexis Accurint for Government. According to ADOL, the service is utilized by staff to verify a claimant's identity when filing a claim.

### **Conclusions**

The verification processes ADOL had in place during the review period were not adequate to safeguard the public resources that ADOL is charged with administering. Our review revealed that the ADOL did not have procedures in place to perform critical matches and verifications to ensure unemployment compensation benefit payments were only made to eligible individuals. We recognize that the demands on the ADOL were significantly higher during the pandemic with multiple new pandemic related federal programs being administered; however, the problems with the ADOL's procedures and verification processes continued despite those programs ending. We utilized resources (Do Not Pay, Google, and Lexis Nexis Accurint for Government) that were available to ADOL to perform these comparisons and analysis that identified payments made in error. Additionally, ADOL has not been timely with its reactions to issues found and reported to them which are related to its internal controls and verification processes. This has resulted in payments being made to claimants who were not eligible to receive unemployment compensation benefits and ADOL not making sufficient attempts to collect payments made in error. ADOL should immediately implement verification processes to ensure that identified problems are being addressed so that erroneous payments do not continue to be issued.