

RESOLUTION NO. 158

Offered by Senator Rose.

WHEREAS, a new coronavirus known as SARS-CoV-2 (COVID-19) was discovered in China at the end of 2019 and rapidly spread around the globe;

WHEREAS, the Trump Administration declared a public health emergency on January 31, 2020 in response to COVID-19;

WHEREAS, the World Health Organization characterized the outbreak of the COVID-19 as a pandemic on March 11, 2020;

WHEREAS, governmental efforts to contain and restrict the spread of COVID-19 led to widespread economic dislocation and unemployment;

WHEREAS, President Trump signed the Families First Coronavirus Response Act on March 18, 2020, providing \$1 billion to the states to use in the administration and processing of their unemployment claims;

WHEREAS, President Trump signed into law the Coronavirus Aid, Relief, and Economic Security (CARES) Act on March 27, 2020, providing \$250 billion to expand unemployment benefits, extending benefits to more workers, increasing weekly payments, and prolonging eligibility for unemployed workers;

WHEREAS, the CARES Act also created a \$150 billion Coronavirus Relief Fund for state, local, and tribal governments; these funds could be used by states for unemployment costs caused by COVID-19;

WHEREAS, President Trump took executive action to bolster unemployment benefits in August, authorizing the expenditure of up to an additional \$44 billion;

WHEREAS, the federal government provided states additional flexibility in the administration of many programs, including the unemployment insurance program;

WHEREAS, the American Rescue Plan Act provided additional federal aid and extended a number of unemployment programs, including the Pandemic Unemployment Assistance (PUA) Program, through September 6, 2021;

WHEREAS, states, while receiving federal financial assistance, are ultimately responsible to run their own unemployment programs;

WHEREAS, Illinois experienced significant unemployment due to the pandemic and the resultant governmental actions; after an initial spike in unemployment claims to over 970,000 in April 2020, the number of unemployment claims declined through October 2020 and remained through June 2021 within a band of 430,000 and 480,000 per month, approximately double the pre-pandemic rate;

WHEREAS, Illinois has had consistently higher unemployment rates during the pandemic than any of its neighboring states; in June 2021, Illinois's unemployment rate was 7.2%, Indiana's was 4.1%, Iowa's was 4.0%, Kentucky's was 4.4%, Missouri's was 4.3%, and Wisconsin's was 3.9%, according to data released by the federal Bureau of Labor Statistics;

WHEREAS, the Illinois Department of Employment Security had 1,041 employees in April 2020, according to the Better Government Association, a decline from January 2019 when Governor Pritzker assumed office;

WHEREAS, the Illinois Department of Employment Security, using federal funds, initially contracted with Deloitte to hire an additional 500 individuals to assist with the increased call volume;

WHEREAS, the Illinois Department of Employment Security, in conjunction with Deloitte, took two months to set up the Pandemic Employment Assistance Program provided for by the CARES Act; its implementation of the Pandemic Unemployment Assistance program lagged most other states;

WHEREAS, from March 21, 2020 through June 13, 2020, the Illinois Department of Employment Security received an average of 200,000 unique callers per week, but, on average, only answered 10% of them; at its lowest point during that period, only 5% of calls were answered;

WHEREAS, many Illinois residents have been targeted and victimized by fraudulent unemployment claims made in their names;

WHEREAS, it has proven extremely difficult for claimants and fraud victims alike to contact the Illinois Department of Employment Security, with many waiting months to receive a call back; leaving them in financial limbo and accentuating the challenges of navigating the COVID-19 pandemic;

WHEREAS, according to the Better Government Association, the Illinois Department of Employment Security had only been issuing approximately 1% of its unemployment checks within seven days of the application for benefits through September, 2020, resulting in Illinois being the slowest state in the nation; one of only ten states that fell below 10%;

WHEREAS, the Better Government Association further reported that Illinois failed to achieve federal standards for its unemployment program in five out of 10 performance measures;

WHEREAS, the Chicago Tribune reported that, despite the federal government in April 2020 “strongly” recommending that the state use additional fraud-prevention tools, the Illinois Department of Employment Security failed to implement the recommended anti-fraud tools;

WHEREAS, the Auditor General released a financial audit of the Illinois Department of Employment Security on July 28, 2021;

WHEREAS, the financial audit of the Illinois Department of Employment Security only covered fiscal year 2020 (July 1, 2019 – June 30, 2020) and only overlapped with the Pandemic Unemployment Assistance Program for seven weeks, from May 11, 2020, through June 30, 2020;

WHEREAS, the Pandemic Unemployment Assistance Program has been repeatedly extended and now continues through September 6, 2021;

WHEREAS, the financial audit released by the Auditor General only examined approximately 10% of the time period covered by the Pandemic Unemployment Assistance Program;

WHEREAS, the financial audit stated that, during these seven weeks, the Illinois Department of Employment Security failed to accurately document eligibility, resulting in potentially ineligible claimants receiving benefits totaling \$154,906,354, including:

- failing to validate the identities of 4,579 claimants before paying them \$41,697,272;
- paying both Pandemic Unemployment Assistance and regular unemployment insurance benefits to 638 claimants, resulting in the claimants receiving benefits under both programs;
- paying benefits to 266 claimants that had birthdays the same day as or after the date of the claim submission with at least one claimant with a recorded birth date in 2029; and
- paying benefits to 35 deceased claimants;

WHEREAS, the financial audit additionally found that the Illinois Department of Employment Security had, prior to July 1, 2020:

- paid Pandemic Unemployment Assistance benefits to 63 claimants who were 90 years old or older;
- paid Pandemic Unemployment Assistance benefits to 164 claimants who were between the ages of birth and 13 years of age; and
- paid Pandemic Unemployment Assistance benefits to 31 claimants who submitted multiple Social Security numbers and multiple claimant IDs;

WHEREAS, the Illinois Department of Employment Security has acknowledged paying out \$14.8 million in fraudulent claims to individuals who had either failed to report or underreported earnings;

WHEREAS, the Illinois Department of Employment Security has refused to release any numbers pertaining to identity theft-related unemployment fraud;

WHEREAS, an official with LexisNexis Risk Solutions testified at a hearing of the House Cybersecurity Committee that Illinois had lost an estimated \$1 billion to unemployment insurance fraud; and

WHEREAS, Illinois' Unemployment Trust Fund faces a multibillion dollar deficit, which will fall on small business owners across the state; therefore be it

RESOLVED, BY THE LEGISLATIVE AUDIT COMMISSION, that the Auditor General is directed to conduct a performance audit of the unemployment programs administered by the Illinois Department of Employment Security during the period of March 1, 2020 and September 6, 2021; and be it further

RESOLVED, that the audit include, but not be limited to, the following determinations:

- 1) A review of the application and review processes and the payment of benefits to individuals focusing on any fraud or inefficiencies which could be eliminated to contain costs and improve the delivery of benefits to eligible individuals;
- 2) To the extent feasible, a detailed account of the funds allegedly disbursed to ineligible and/or fraudulent claimants;
- 3) The types of unemployment fraud schemes the Illinois Department of Employment Security has experienced and what steps and procedures it has taken to detect and respond to fraudulent unemployment claims and whether it has cooperated with the Illinois Attorney General or federal authorities to detect, counter, and prosecute potentially fraudulent cases;
- 4) Whether the Illinois Department of Employment Security has complied with all state and federal statutory and administrative requirements for processing and auditing unemployment claims;
- 5) An examination of the Illinois Department of Employment Security's decision not to implement additional fraud-prevention tools in April 2020 as recommended by the federal government and a report on whether the state has, since that time, come into compliance with federal recommendations;
- 6) What factors caused and continue to cause delays in the Illinois Department of Employment Security's processing of unemployment claims, looking particularly at administrative decisions, technology, and staffing, and what steps the Illinois Department of Employment Security has taken to alleviate these delays;
- 7) What third-party contractors did the Illinois Department of Employment Security utilize during this time period and were any of these contracts no-bid contracts; did a third-party contractor calculate weekly benefit amounts for Pandemic Unemployment Assistance claimants and, if so, were there any procedures to verify the accuracy of their calculations; did third-party contractors meet the performance measure established by the Illinois Department of Employment Security prior to the issuance of the contracts;
- 8) A summary of the average case processing time, the timeliness of benefit payments, and the accuracy of these payments; and be it further

RESOLVED, that the Auditor General commence this audit as soon as possible and report his findings and recommendations upon completion in accordance with the provisions of Section 3-14 of the Illinois State Auditing Act; and be it further

RESOLVED, that the Illinois Department of Employment Security and the Office of the Governor cooperate fully and promptly with the Auditor General in the conduct of this audit; and be it further

RESOLVED, that for the purpose of this resolution, the conclusion of this audit shall not be deemed to have taken place until the Legislative Audit Commission has reviewed the findings of this audit in a public meeting, and the General Assembly has been accorded adequate time on its legislative calendar to take any actions that may be reasonably deemed necessary or desirable to implement any recommendation made by the audit and to remedy any problems or dysfunctions uncovered by the audit; and be it further

RESOLVED, that a copy of this resolution be delivered to the Auditor General, the Illinois Department of Employment Security, and the Office of the Governor.

Adopted this 1st Day of September, 2021.



Jason Barickman

Senator Jason Barickman
Co-Chair, Legislative Audit Commission

Fred Crespo

Representative Fred Crespo
Co-Chair, Legislative Audit Commission