

News Release

Comptroller's Workgroup Probes Unemployment Insurance Delays, Customer Service Woes, Fraudulent Filings

***Franchot frustrated by lack of information from Labor
Department and vows to get answers about
shortcomings***

ANNAPOLIS, Md. (July 29, 2021) – Comptroller Peter Franchot today hosted the third meeting of the Comptroller's Workgroup on Pandemic Spending, demanding answers about the state's troubled unemployment insurance system that has thwarted tens of thousands of Marylanders from getting the financial assistance they are owed.

The state Department of Labor, which handles unemployment insurance, has paid out almost \$13.2 billion in state and federal claims to more than 675,000 Marylanders since March 2020, Deputy Secretary David McGlone said in a presentation to the workgroup. But more than 20,000 claims are currently pending and reports of unexplained disruptions or delays in payouts, problems with the agency's online BEACON system, underperforming customer service, inadequate training of claims agents and a flood of fraudulent filings continue to stymie the system.

“We all recognize the magnitude of this pandemic which led to unprecedented unemployment claims that flooded the system at the outset,” Comptroller Franchot said. “But 16 months later, we are still hearing from Marylanders every single day that these same issues still exist, even after additional money and personnel have been dedicated to shore things up. This is simply inexcusable and unacceptable.”

Comptroller Franchot noted that the Department has entered into emergency

contracts with at least eight companies, totaling \$185.2 million in an attempt to improve persistent problems. One of those contracts cost \$102 million for 1,275 additional call center staff. Another was a \$71 million award for an additional 400 staffers who were hired to help clear the large backlog of claims awaiting adjudication. Insufficient training for those employees has been alleged in news reports.

Workgroup members sought explanations for continued customer service failures, noting that the Comptroller's Office has received thousands of inquiries for unemployment assistance from individuals who can't reach anyone at the Labor Department and just want to talk to a live person.

Andrew Schaufele, a workgroup member who is director of the Bureau of Revenue Estimates, pressed why the Labor Department approved 90 percent of UI claims within 21 days in April 2020, but a few months later in July, 70 percent of payouts took more than 70 days to approve. McGlone acknowledged that delays increased in the summer, but the Department is slowly catching up.

Comptroller Franchot read excerpts from several emails demonstrating the despair of Marylanders seeking help.

"While I understand I am not the only unemployment claim, I do not understand the lack of assistance I have experienced," a woman named Brooke wrote in a letter to the Comptroller. "Not having access to my benefit payments is affecting my livelihood to the point where it is also affecting me mentally, watching my debt accumulate and feeling unsure if I will have a roof over my head next week."

Comptroller Franchot said his office has received many similar emails sent from "the most in-need individuals all over our state, our low-wage workers who have been without any kind of employment because of this unbelievable pandemic."

Although the Comptroller's Office has no jurisdiction on unemployment insurance, the agency, as the state's paymaster, has distributed \$40.2 million in \$1,000 grant payments to Marylanders whose unemployment claims have been stuck in adjudication for at least 30 days, which was part of the RELIEF Act of 2021. Those one-time payments, distributed between March and July, were issued within 48 hours of receiving a list of names from the Labor Department.

Comptroller Franchot asked McGlone how Labor selected the recipients and why inquiries about eligibility often were forwarded to the Comptroller's Office when the determinations were made by the Labor Department.

Comptroller Franchot also questioned whether \$31 million in state aid provided under the Layoff Aversion Fund was equitably distributed to jurisdictions and industries most in need of assistance. He pointed out that of the 1,267 small businesses that received funds under the program, it appeared only four are in Dorchester and Garrett counties, three in Kent County and one in Caroline

County.

Turning to fraud, the Comptroller pressed McGlone about what the Department has done to detect and prevent fraudulent claims from being filed and how much the State has erroneously paid out to fraudsters.

McGlone responded that Labor has identified nearly 1.5 million fraudulent unemployment insurance claims. He acknowledged that despite their best efforts to detect and prevent fraud, it is likely the State has paid out fraudulent claims; he did not specify how much, citing ongoing enforcement efforts and security measures.

The Comptroller referred to the level of fraudulent claims as “the single greatest highway robbery” of the state and national treasury in history and “something that we need to get to the bottom of.”

As the workgroup meeting wrapped up, Comptroller Franchot expressed disappointment at the lack of answers provided by Labor.

“We sent almost all of the topics and questions we raised to you today to your department two weeks ago and frankly I just find it unacceptable and frustrating that the department ... is completely unprepared to answer even partially our questions,” Franchot said. “You’ve said multiple times that you either don’t know the answer or that you’ll have your staff follow up with us after the meeting. It was obviously our desire that some of these questions at least could be answered today with some data and some information. Please make sure that your follow-up occurs promptly.”

Comptroller Franchot formed the workgroup in April after the Maryland General Assembly tasked the agency with submitting quarterly reports on the distribution and expenditure of federal and state pandemic-related spending. In addition to performing a full inspection on the billions of dollars that flowed into and through state coffers, the panel will scrutinize if funds were received by intended recipients most in need, examine disparities in distribution and look into possible cases of predatory fraud and pandemic profiteering.

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