



Office of the Washington State Auditor
Pat McCarthy

Fraud Investigation Report

Employment Security Department

For the investigation period May 18, 2020 through February 22, 2025

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**Office of the Washington State Auditor
Pat McCarthy**

April 9, 2026

Cami Feek, Commissioner
Employment Security Department
Olympia, Washington

Report on Fraud Investigation

Attached is the official report on a misappropriation at the Employment Security Department. On March 31, 2025, the Department notified the Office of the Washington State Auditor of a potential loss of public funds. This notification was submitted to us under the provisions of state law (RCW 43.09.185).

This report contains the results of our investigation of the former Leave and Care Division Supervisor's unallowable activities at the Department from July 7, 2024 through November 2, 2024. The purpose of our investigation was to determine if a misappropriation had occurred.

Our investigation was performed under the authority of state law (RCW 43.09.290) and included procedures we considered necessary under the circumstances.

If you are a member of the media and have questions about this report, please contact Assistant Director of Communications Adam Wilson at (564) 999-0799. Otherwise, please contact Special Investigations Program Manager Stephanie Sullivan at (360) 688-0858.

Pat McCarthy, State Auditor

Olympia, WA

cc: Sara Hudson, Internal Audit Director

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FRAUD INVESTIGATION REPORT

Investigation Summary

On March 31, 2025, the Employment Security Department (ESD) notified our Office regarding a potential loss of public funds, as required by state law (RCW 43.09.185). A quality control review had flagged a paid family and medical leave (PFML) claim as potentially being submitted by someone other than the claimant. Before processing the claim, a PFML Investigator determined a Supervisor from the PFML Customer Care Team submitted the claim improperly.

The Department subsequently investigated all the Supervisor's activity while employed at ESD and determined the Supervisor misappropriated PFML benefits totaling \$13,510 from July 7, 2024, through November 2, 2024.

We reviewed the Department's investigation and agree with its conclusions. As is our standard process, we will refer this case to the Thurston County Prosecuting Attorney's Office.

Background and Investigation Results

The Employment Security Department's total operating budget for fiscal years 2023-2025 was about \$979.5 million. The Department administers several programs including the state's Unemployment Insurance program (UI), PFML program, and long-term services and supports (LTSS) program. The Department's Leave and Care Division encompasses both the PFML and LTSS programs. Within this division, the Department employs about 300 customer care team specialists, who are responsible for processing claims and benefit applications.

The subject of this report (the Supervisor) began working for the Department in May 2020 as a Benefits Specialist for the UI division. He held this position until August 2020 when he transferred to the PFML Customer Care Team as a Specialist. In addition to his responsibilities as a Specialist, he became a Supervisor on the PFML Customer Care Team in January 2021.

In January 2025, the PFML Fraud Team identified a potential imposter claim before processing the claim. The Investigator reviewed the claim to determine whether it was submitted by someone other than the claimant. The Investigator called the claimant and verified they had not submitted a claim. The Supervisor, who is a relative of the claimant, immediately contacted the Investigator using Microsoft Teams to discuss the phone call. The Investigator notified their own supervisor of unusual activity potentially involving an ESD employee.

The Investigator also contacted the health care provider to verify medical certification forms submitted with the imposter claim. This inquiry determined the forms were not legitimate. The Supervisor's Secure Access Washington Account was suspended on January 17, 2025, and on January 22, 2025, the Department informed the Supervisor of its investigation and placed him on administrative leave.

The Department's Internal Fraud team initiated an expanded investigation to review the Supervisor's activity while employed with ESD, including activity from his past Benefits Specialist role in the UI division.

We reviewed the Department's investigation, which determined the Supervisor:

- Filed for and received PFML benefits using falsified medical certification forms, totaling \$13,510 from July 7, 2024, through November 2, 2024
- Accessed a family member's UI claim while employed as a UI Benefits Specialist to remove system flags meant to delay payment processing and require additional inquiry before releasing funds. As a result, ESD paid \$7,092 toward the claim in July 2020 for weeks April 11, 2020, through June 13, 2020, though the investigation questioned whether the claimant was eligible for these benefits.
- Used his state-issued laptop for personal use including personal shopping, banking and web browsing more than the de minimis standard during the period of October 2024 to January 2025. The Supervisor received salary pay during the same period, calling into question about \$25,000 of wages.

As part of its investigation, the Department interviewed the Supervisor on February 7, 2025, and February 19, 2025. During the interviews, the Supervisor acknowledged having received \$2,532 of PFML benefits in August 2024, deposited into his personal bank account, but denied knowing about the remaining \$10,978 also deposited into the same account. The Supervisor also denied removing flags within the UTAB system for a claim submitted by his family member. He did acknowledge having used his work-issued computer to browse internet shopping, music and social media sites.

The Department terminated the Supervisor's employment on April 15, 2025, and reported its conclusions to the Thurston County Prosecutor's Office. On December 16, 2025, the Prosecutor's Office filed multiple criminal charges against the Supervisor.

Internal Control Weaknesses

Internal controls at the Department were not adequate to safeguard public resources. We found the following weaknesses allowed the misappropriation to occur. The Department did not:

- Sufficiently ensure PFML claim documents were valid before approving the benefit claims and processing payments
- Ensure it paid PFML benefit payments only for time claimants did not work
- Monitor claim adjudication activity to ensure specialists do not work on their relatives' claims
- Ensure employees are not conducting personal activity on state-issued computers during their scheduled work hours

Recommendations

We recommend the Department:

- Thoroughly review PFML claims, including supporting documents, to ensure claimants are eligible to receive benefits
- Compare hours claimed as PFML and hours reported to a claimant's employer to ensure they only receive benefits for time not worked
- Monitor system access to ensure staff cannot edit claims that would result in a conflict of interest
- Increase its supervision and review of employee work activity to confirm employees are not using state-issued equipment for personal use

We also recommend the Department seek recovery of the misappropriated \$13,510 and related investigation costs of \$9,075 from the former Supervisor and/or its insurance bonding company, as appropriate. Any compromise or settlement of this claim by the Department must be approved in writing by the Attorney General and State Auditor as directed by state law (RCW 43.09.330). Assistant Attorney General Matt Kernutt is the contact person for the Attorney General's Office and can be reached at (360) 586-0740 or Matthew.Kernutt@atg.wa.gov. The contact for the Office of the Washington State Auditor is Brandi Pritchard, Assistant Director of Special Investigations, who can be reached at (509) 726-1886 or Brandi.Pritchard@sao.wa.gov.

Department's Response

The Employment Security Department (ESD) thanks the State Auditor's Office (SAO) for their work and commitment towards compliance with state, federal and local law. We share this commitment and welcome all opportunities to continue to improve our processes and practices. ESD assessed the feedback received from SAO and will continue our work toward strengthening controls around fraud detection and benefit eligibility.

Upon the discovery of the fraud scheme, ESD enhanced controls surrounding employee claim verification and eligibility. Each employee claim, supporting documentation, and relevant timecards are reviewed for adherence with PFML policy before the payment of benefits to ensure that ESD employees only receive benefits they are eligible for. ESD will continue to review both PFML and UI claims to ensure that claimants are eligible. Based upon ESD's investigation, the case was referred for prosecution, where depending on the ruling we may recoup benefits paid and investigation costs.

In 2023, ESD implemented a weekly review of employees who accessed any UI claim with the same name or other matching identifying information. Each match is then investigated to determine validity and ensure that no misconduct has occurred.

Additionally, ESD Policy 2016 – Technology Acceptable Use, addresses de minimis use of the internet by ESD employees. Each year employees are required to review and attest that they acknowledge this policy. Employees found to have violated this policy are subject to disciplinary action pursuant to the CBA.

Auditor's Remarks

We thank Department officials and personnel for their assistance and cooperation during the investigation. We will follow up on the Department's internal controls during the next audit.

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