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Report Highlights

Unemployment Insurance Program: Accuracy of IRS Form 1099-G Filings

Louisiana Workforce Commission

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Why We Conducted This Audit

We evaluated the Louisiana Workforce Commission's (LWC) Unemployment Insurance program (State UI) and federally-funded COVID-19 pandemic-related unemployment assistance programs (Federal UI) to determine if the IRS Form 1099-Gs (1099s) filed by LWC with the Internal Revenue Service (IRS) accurately reported the amount of unemployment benefits paid to individuals (claimants) during calendar years 2020 and 2021. We conducted this audit because of the significant increase in costs and the number of applicants for State and Federal UI during the COVID-19 pandemic, which according to data provided by LWC, totaled \$10.03 billion in payments to 753,574 claimants from January 1, 2020, through December 31, 2021.

What We Found

Overall, we found that LWC filed accurate IRS Form 1099-Gs (1099s) with the IRS for unemployment benefits paid to 698,372 (99.7%) of 700,204 claimants in calendar year 2020. However, we found that LWC did not file accurate 1099s with the IRS for 1,832 claimants during calendar year 2020, resulting in approximately \$2.1 million in over-reported unemployment benefits or benefits attributed to incorrect Social Security numbers (SSNs). Due to issues in its Helping Individuals Reach Employment (HiRE) system, LWC has not filed corrected 1099s with the IRS for calendar year 2020 for the claimants affected by these issues. These inaccurate 1099s could result in the IRS determining that these claimants owe taxes on unemployment benefits they were not paid. Specifically, we found that:

- For calendar year 2020, LWC filed 1099s with the IRS that over-reported unemployment benefits for 1,776 claimants by \$1,526,602, which could result in the IRS determining that these claimants owe taxes on unemployment benefits they did not receive. However, LWC was able to prevent this issue from occurring from 1099s filed for calendar year 2021.
- LWC filed 1099s for 56 claimants totaling \$583,048 which contained incorrect SSNs for the claimants. However, LWC does not appear to have filed corrected 1099s with the IRS for these claimants even though their SSNs were corrected in HiRE. According to LWC, the incorrect social security numbers were primarily the result of data entry errors made by the claimants.
- LWC has not submitted corrected 1099s for claimants with incorrect 1099s due to issues in its HiRE system. According to LWC, this issue was identified in March 2021, and LWC has not filed any of these additional over reported 1099s with the IRS. Due to this system error, LWC staff is now manually reviewing the claimants who had additional 1099s generated to determine their accuracy.

View the full report, including management's response, at www.la.gov.