



State of Delaware
Office of Auditor of Accounts

Lydia E. York
State Auditor

June 4, 2024

Members of the General Assembly,

Recently Delaware news media reported on a situation within the Delaware Department of Labor Division of Unemployment Insurance involving an employee engaged in theft of State money. This reporting has unfortunately caused some misunderstandings amongst the Delaware public. While our office normally would not comment on any open investigation, in this extraordinary circumstance I felt it was appropriate to provide the legislature with an update.

In March of this year our office circulated a special report titled *Delaware Unemployment Compensation Fund FY23 ACFR Accompanying Report* that went into some detail about why the fiscal year 2023 Annual Comprehensive Financial Report (ACFR) had a disclaimer of opinion. In this special report, we detailed poor internal controls within the Division of Unemployment that led to a lack of the accounting records we would need to complete an audit. It is important to understand that the criminal activity described in recent media coverage did not contribute to the disclaimer of opinion on the ACFR. That disclaimer was solely related to accounting practices and internal controls within the Division of Unemployment. The scope of our special report purposefully followed the scope of the disclaimer.

Our standard practice when we are made aware of allegations of fraud or abuse of state resources is no different than that of any government investigatory agency: we gather all the facts we can, turn them over to the relevant authority, and issue reports when the investigation has fully concluded. In this case, the theft of state funds was not initially discovered or reported by the Office of Auditor of Accounts. Our office was informed of the theft by the Department of Labor after the employee in question had passed away. In accordance with AOA policy, we immediately began the process of determining whether this fraud was replicable, and if there had been further instances of it. Unfortunately, due to the incomplete state of accounting records at the Division of Unemployment, this investigatory work is not yet complete.

With our independent supervision, the Department of Labor and the Division of Accounting are engaged in work to construct fiscal year 2023 accounting records for the Division of Unemployment. These records, which must be completed by Department of Labor and the Division of Accounting, are necessary not only to prevent disclaimers of opinion on future ACFRs, but also for us to be able to continue our investigation into the theft. Our ability to both audit the Unemployment Fund and continue our investigation for evidence of further fraud hinges on those records being complete, accurate, and auditable.


401 FEDERAL STREET ● TOWNSEND BUILDING ● 3rd Floor ● DOVER, DE 19901

Main Office: 302-739-4241

This is a time-consuming process, but please be assured – we are not leaving the Division of Unemployment Insurance until our work is complete. When our investigation concludes, our findings will be communicated in a formal report.

There is nothing more important to me and the hardworking auditors at this office than following the letter of the law and the professional standards that guide our work. This work is paramount to keeping the State of Delaware transparent and accountable to our constituents. It is my sincere hope that our audits and special reports can be resources to help guide your decisions as lawmakers. If you have any questions about our process or policy, please reach out – we are always happy to answer.

Thank you,

A handwritten signature in black ink that reads "Lydia E. York". The signature is written in a cursive, flowing style.

Lydia E. York
State Auditor