



STATE OF DELAWARE  
DEPARTMENT OF LABOR  
DEPARTMENT OF FINANCE

The Honorable Valerie Longhurst  
The Honorable Melissa Minor-Brown  
The Honorable Kerri Evelyn Harris  
The Honorable Michael Ramone  
The Honorable Lyndon D. Yearick

The Honorable David P. Sokola  
The Honorable Bryan Townsend  
The Honorable S. Elizabeth Lockman  
The Honorable Gerald W. Hocker  
The Honorable Brian Pettyjohn

June 4, 2024

Dear Legislative Leaders,

Most of you have already seen press stories about incidents involving the Division of Unemployment Insurance (DUI) and the Unemployment Trust Fund. In March 2024, several news outlets reported on the State Auditor's Special Report citing findings by the State's independent auditor that the Department of Labor (DOL) "was unable to provide appropriate audit evidence for the balances and financial activity of the account balances of the unemployment fund" for the fiscal year ended June 30, 2023. Then, earlier this month, media outlets began reporting on a separate theft of funds that was attributed to a former DUI employee. News reports over the past few weeks have somewhat conflated these incidents and contributed to some confusion.

DOL has not disputed the findings of the independent auditor. There are multiple reasons for this serious problem, including an antiquated information system, the loss of long-term staff through retirement and attrition, the lack of up-to-date written policies and procedures, and the inability to recruit and retain sufficient accounting resources. In response, we are working hard to course correct. DOL and the Department of Finance (DOF) have engaged the accounting firm BDO USA to help rectify the deficiencies in the fiscal year 2023 accounting, review and reconcile fiscal year 2024 activity, assist in the review and submission of federal reporting, process map existing practices, and develop policies and procedures that ensure that DOL has a proper control environment in its existing system. These efforts will ensure these practices are embedded and carry over into the new UI system that DOL is currently implementing.

Additionally, there was theft by a DOL employee who exploited gaps in UI processes and manipulated a temporary worker to steal from the Trust Fund. Once the theft was discovered, DOL leadership immediately notified the Department of Human Resources and the Department of Safety and Homeland Security. Within days, the employee suspected of the theft was placed on administrative leave and regrettably died later that same day.

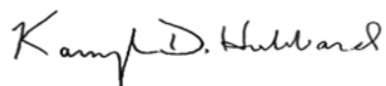
Over the course of the following week, DOL reported the theft to the Office of the Auditor of Accounts, the Department of Finance, Delaware State Police, the Department of Justice, the Federal DOL Office of Inspector General, and members of the General Assembly who serve on the Unemployment Insurance Advisory Council.

Like in any other investigation involving state personnel and particularly alleged criminal conduct, it has been important to maintain an appropriate level of confidentiality to ensure a full and fair investigation, to provide time to put in place appropriate controls to try to prevent such actions from recurring, and to maximize the prospects of partial or full recovery of the amounts stolen. Many of these efforts remain underway and will for some time.

We fully understand the General Assembly's important oversight responsibilities. We are committed to ensuring that you and your colleagues have accurate information and access to a full accounting of findings and actions to date and our recommended path forward. As such, DOL in collaboration with DOF will provide a report to you in July for your review and disposition.

We hope the above information is helpful. We look forward to providing you a more detailed report and working with you and your colleagues as we address the root causes of both of the above matters.

Sincerely,



Karryl Hubbard  
Secretary of Labor



Rick Geisenberger  
Secretary of Finance