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Economic Recovery Committee  
September 17, 2020

Chairperson Lynn and Honorable Committee Members,

I am Dina Cox appearing on behalf of the Kansas Society for Human Resource Management (KS SHRM). I have over 37 years of HR experience in a variety of industries. For those unfamiliar with KS SHRM, it is a professional organization comprised of 2,300+ HR professionals in Kansas. KS SHRM serves the needs of HR professionals and advances the interests of the HR profession throughout the state. Our members are responsible for developing and implementing workplace policies and practices that comply with federal, state, and local laws and provide guidance to managers at all levels about fair and effective people management practices. Our members serve in the public and private sectors representing union and non-union businesses of all sizes.

Thank you allowing me to share my experiences regarding unemployment benefits in 2020. The three major concerns for most employers in Kansas are staffing, fraudulent unemployment claims and predicting the SUTA tax for future years so that the trust fund is not completely depleted.

1. Staffing Issues:

- My company is in the construction industry. We work year around and have seen the pool of qualified applicants dry up over the past 10 years or so. In 2020, there has been an even greater change due to the pandemic in recruiting, hiring and retaining employees. In March, the company had 2-3 openings for skilled workers. Those positions are still open today.

Several construction HR professionals report that after placing ads for help, they received responses from applicants that said they were not interested in the job and they applied only to comply with unemployment requirements. In addition, one company told me that they made an offer of \$19 per hour for a laborer's position and the candidate refused the job because they could make more on unemployment. Note that the offered wage is over twice the Kansas minimum wage and \$5 per hour above prevailing wage in that county.

The Associated General Contractors of Kansas completed a survey and found that 45% of construction firms have experienced issues with getting workers to return to the workplace. It is a general belief that the \$600 extra unemployment benefit was a disincentive for workers to return to their jobs. The industry is hoping that since the \$600 extra benefit has expired, this will change.

- In April, an employee from my company quit and filed for unemployment to collect the COVID-19 \$600 per week extra payment. I appealed the award on June 24 and have yet to hear back about my appeal. Companies who have experienced more turnover than mine, have shared with me that they surmise that anything that said “COVID-19 related” was approved for payment, whether the claim was legitimate or not. This overly generous approach hurts companies, the economy and the state unemployment tax trust fund.
- It appears that the DOL was not sufficiently staffed to handle the enormous load of claims and appeals. I fully support adequately staffing the DOL to keep undeserving claimants from being rewarded for not working and assist employers who are trying to restore the economy.

## 2. Fraud Issues

- At a recent meeting of construction HR professionals in Kansas, 12 of the 14 attending indicated that they had received at least one fraudulent unemployment claim. The consensus was that the criminals were focusing on the higher paid employees since most of the claims filed were executives of the 12 companies.
- When employers report a claim as fraudulent, it is difficult to determine which form is the correct form. Some of the attendees asked if they should be doing more than just calling the DOL to report it. Several of us assisted them with correct forms and websites, plus additional information regarding identity theft for their employees.
  - ✓ The first form attached to my testimony is not easy to find online. Now that I have been to this website a few times, it does come to the top of a Google search. It is also the form that opens when a person is on the Claimant Home page and clicks on the link “Report Fraud.” But as the *employer*, that is not the first place I go.
  - ✓ The second form is also available online. Two forms for fraud is confusing. When a person is looking for how to submit information about fraud, they shouldn’t have to question which form to use.
- Two employees at my company had fraudulent claims filed in their names and using their social security numbers. I notified the DOL using the first attached form. The employees were alerted by me and the DOL system also responded quickly. The DOL response provided phone numbers and websites for the three major credit unions, advised the employees to contact their banks and credit card companies, contact Social Security Administration, notify the IRS fraud hotline, and file a report with the Federal Trade Commission. In addition, after the report was submitted, the employees received a police report number. This is a very helpful service the DOL is providing.
- There is a concern among construction employers that once a fraudulent claim has been submitted to the DOL by an employer, no follow-up reports are ever shared. As far as I know, the employees have not seen any follow-up reports either.

- When Equifax was contacted by my employees to place a credit freeze on their account, Equifax encouraged them to purchase the Equifax identity theft insurance product for \$14.99 per month. It seems like Equifax is taking advantage of the pandemic and the millions of fraudulent unemployment claims. Rumor has it that the breach of Equifax's software systems in 2017 is partly to blame for the criminals having this personal and sensitive information in the first place. If the Equifax breach of 2017 is truly a cause of these fraudulent unemployment claims, people who report this to Equifax should not be pressured nor should they have to pay for the Equifax owned identity theft protection service.
  - Kansas and other states use a program called SIDES: State Information Data Exchange System. This system is a good way to report on unemployment claims quickly and easily, however the only place to indicate that this is a fraudulent claim is at the end of 10 or so pages of required information. Since it is a fraudulent claim, those 10 pages of data aren't really needed, so if the system could be revised so that this question is asked on the first or second page, it would greatly expedite things.
  - I am again concerned that the DOL does not have adequate staff and resources to investigate and resolve fraudulent claims. I am not aware of anyone who has received follow-up after reporting one of these fraudulent claims from the DOL or anyone else. I would like to see the DOL take a proactive stance in prevention so that the first line of defense is not the employer. By the time it reaches the employer, the criminal has reached a turning point, knows that the information they have is legitimate, and can steal from the individual before financial accounts are frozen. (See story from Company C in the attachment.)
3. General COVID-19 Issues:
- As employees are exposed to COVID-19 or test positive, further loss of productivity occurs. My company takes the COVID-19 prevention protocols very seriously and has implemented additional PPE including masks and face shields, handwashing stations, more hand sanitizer, distancing between workers, no gathering in the lunch rooms, questionnaires completed before anyone can enter the job site, etc. Should one person come to work infected with the virus, the entire project could be closed down. That hurts the company, the employees, the client, and the economy.
  - Employees are not confined to the workplace: they go home at night and for weekends. While the company tries to encourage employees to continue observing the COVID-19 protocols, others who are not following protocols place our employees at risk and thus place our essential work at risk. A unified approach to these protocols is critical to keep these employees safe and productive. As mentioned above, if a project is shut down, it affects not only the company, but the employees who may not have any paid leave available, the client from receiving their "product", and the economy because many fewer wage dollars are circulating.

- The on-again, off-again protocols cause a repetitive cycle of employees who cannot come to work because of quarantines. As this continues, the KS Unemployment Insurance trust fund will be depleted, and companies will have to bear large tax increases. If we can keep employees working safely, the state's economy will be better for it and tax increases can be better controlled.

#### 4. Recommendations:

- The KS DOL should be alerting Kansans that fraudulent unemployment claims are prevalent in our state as well as around the country. That will allow Kansans to proactively protect their social security numbers, financial accounts, and identities. Broad notification to employers with instructions of how to report fraud should also be disseminated.
- There should be a "one-stop shop" at the DOL website with all the FAQs and one form for both the employer and employee to submit fraudulent claim information.
- Kansas DOL should approach SIDES to see if the program can be improved to include a fraud question on the first one or two web pages.
- The legislature needs to adequately fund the DOL so that in addition to adequate staffing, the appropriate resources can be acquired. I would like to see emphasis on protecting identities, vigorous investigation of fraud, and proper training of staff.
- The Attorney General's office should investigate Equifax to see if the 2017 breach is linked to some of the fraudulent unemployment claims. If so, citizens who trusted this company to protect and secure their personal information should not be forced to pay for identity theft insurance/protections.
- I would like to see a more comprehensive statewide approach to COVID-19 control and prevention protocols. As employees travel beyond their communities, different protocols are allowed, making it impossible to contain the virus.

#### 5. Attachments:

- Online Kansas Fraud Submission Form
- Unemployment Fraud Report (KFRD307)
- Documentation from construction companies. The names of the specific companies are excluded.

Thank you for your service and the opportunity to appear before you today. I am happy to answer questions now or at another time.

Dina Cox

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# Kansas Department of Labor



If you suspect someone has committed unemployment fraud, which includes filing claims using you or your employees' name and personal information, please fill out the form below.

Submission Form

## Required Inputs

\* Phone or Email must have a value

First Name *	Date of Birth *  01/01/1980
Last Name *	Address *
Phone	City *
Social Security Number *	State * ▼
Email	Zip *

Do you believe that this is a case of identify theft?

\*

Yes  No

Please provide any additional information you have. \*

Do you know who is committing the fraud? \*

Yes  No

**Submit**

Reset

# UNEMPLOYMENT FRAUD REPORT

K-FRD 307 (Rev. 6-18)

MAIL: Benefit Payment Control  
401 SW Topeka Blvd.  
Topeka, KS 66603-3182  
FAX: (785) 296-5779  
EMAIL\*: KDOL.fraud@ks.gov

\*See important Email Notice on website.

If you believe someone is fraudulently collecting unemployment benefits, please report it immediately for investigation. All allegations of fraud are investigated. Be sure to include as much of the following information as possible so we can adequately investigate your claim. You may attach additional sheets.

You can make an anonymous report, but providing your contact information allows us to obtain additional information if necessary. Thank you for your assistance.

## Your Contact Information

Do you wish to remain anonymous?  YES  NO Name: \_\_\_\_\_  
**(REQUIRED)**

Can an investigator contact you for more information if needed?  YES  NO Phone: ( ) \_\_\_\_\_  
**(REQUIRED)** Email: \_\_\_\_\_

## Information About the Individual Suspected of Committing Fraud

Full name: **(REQUIRED)**  
\_\_\_\_\_

Other names used (nicknames, etc.):  
\_\_\_\_\_

Last four digits of Social Security number: YYYY-YY-XXXX

Date of birth: \_\_\_\_\_

Street Address: \_\_\_\_\_

City: \_\_\_\_\_

State: \_\_\_\_\_ ZIP: \_\_\_\_\_

Phone: ( ) \_\_\_\_\_

What leads you to believe this person is committing fraud? Include all evidence to support this and be as specific as possible: **(REQUIRED)**

Is this person currently employed?  
 YES  NO  I DON'T KNOW

If YES, provide the employer's name, address and phone:

Is this person related to the employer?  
 YES  NO  I DON'T KNOW

What is the name of the owner of the company?  
\_\_\_\_\_

What type of work does or did this person do?  
\_\_\_\_\_

Does this person work full time?  
 YES  NO  I DON'T KNOW

Did this person start his/her own business?  
 YES  NO  I DON'T KNOW

If YES, provide the business name, address and phone:

How did you become aware of this?

Who else can confirm this information (name and phone)?  
\_\_\_\_\_

Any other information that you feel will help with this investigation:

### Attachment 3

Stories from other companies:

#### Company A:

“Here’s one story (of many):

Posted an open laborer position and had over 40 applicants in 7 days. When we filtered through the resumes and experience and narrowed the list down to 7 for phone interviews, 3 answered at their scheduled times and when asked, “what is your timeline for making a career change”, 2 answered that they weren’t really looking for a job, they just needed to show unemployment that they tried to find another job and said they weren’t actually interested in next steps. One candidate answered and was interested, when we extended an offer of \$19.00/hour as a laborer, they declined the offer stating that they would make more on unemployment than taking our \$19/hour rate. Out of 40 candidates, we did not make any hires from this round. We spent \$568.00 on Indeed marketing rates and roughly 16 hours of staff time to post, filter, screen, schedule in person interview and extend an offer and were not successful in making a single hire at a rate that is over double the state minimum wage due to the \$600/week additional “bonus”.

#### Company B:

“This has been the most unusual time to recruit. While searching for general labor and early skilled labor- it’s been nearly impossible for Company B to find reliable people that want to work.

It’s also put pressure on the local temp agencies as they are eager to place resources for corporations. My fear is the longer this subsidy is offered, incentives become misaligned for individuals to find a way to be contributing members of society.

Company B is adapting by increasing the standards of our application process, and finding ways to weed out those that are just looking for something short term.

This is putting a constraint on existing resources at our company, can drive up overtime costs and increase workers’ compensation liability. “

#### Company C:

“We have had seven fraudulent unemployment cases, six of which were officers or executives of the company. One case has turned into a much larger issue when an SBA loan was requested and **paid out** to a scammer. This was caught before the scammer was paid, but it was somehow paid out even after the bank was informed it was not valid.

The fraud cases are very alarming because the problem is so widespread. The question becomes where would *this much* information be leaked? Next is the potential rise in SUTA rates that will come from all this. How will it impact the cost of [doing] business?

In recent years, it has been increasingly more difficult to hire in the construction industry. Over-the-top unemployment benefits will cause more damage to this; why will they want to come back if they can receive more benefits by staying at home.”