



EDUCATION AND LABOR CABINET Office of Unemployment Insurance

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Legislative Research Commission
700 Capital Avenue
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Re: Annual Report 2025

In accordance with KRS 341.414(3), the following annual Unemployment Insurance report is submitted by the Commonwealth of Kentucky, Education and Labor Cabinet, Office of Unemployment Insurance (OUI), Integrity Branch.

I. Efforts to Recover Improper Benefit Payments

OUI recovers improper unemployment insurance payments through numerous methods, including:

- Payment plans – A claimant has the option to set up a payment plan facilitated through both the recovery system and claimant inquiries.
- Treasury Offset Program – The state refers the debt to the US Treasury and KY State Recover to recover the money from the worker's federal and state tax returns. Kentucky is authorized to intercept taxes from both state and federal returns.
- OUI is in a cooperative agreement with the United States Department of Labor's Office of Inspector General and submits a monthly report of high-dollar overpayments to that office. These cases must meet a minimum threshold of \$10,000 in overpayments.
- OUI completes a weekly review on new hire records on the state's unemployment rolls and on federal and commercially available databases. When an employer responds to a new hire audit and provides a current mailing address for the claimant, Integrity Branch staff will update the claimant mailing address on billing statements, if the claimant is not currently compliant with a repayment plan.

II. Causes of Improper Benefit Payments

- Work Search - Failure to actively seek employment.
- Benefit Year Earnings (BYE) - Claiming UI benefits after returning to work or failure to accurately report earnings.
- Separation - Ineligible due to voluntarily quitting employment or discharge for cause.
- Employment Service Registration - Failure to register for referral to work or reemployment services.
- Able and Available - Ineligible due to not being able to work or available for work.
- Agency errors - Examples include data-entry errors and incorrectly issued payments or determinations. A base-period wage information error could result in the claimant being paid more than they are legally entitled to receive.

III. Measures Implemented to Avoid Improper Benefit Payments

- OUI utilizes both the National and State Directory of New Hire to prevent overpayments and detect fraud within the unemployment insurance system. OUI has implemented a new system (Resolve) to conduct cross-match audits and National and State New Hire audits which should assist in the prevention and detection of benefit overpayments.
- The addition of identity verification (ID.ME) has reduced the number of fraudulently filed claims to under 1%.
- OUI continues using the National Association of State Workforce Agencies (NASWA) Integrity Data Hub (IDH) to identify fraud markers via suspicious actor repository.
- When OUI receives information that a claimant may have issues that could affect their eligibility for UI benefits, a task is created for OUI facilitation staff to contact the claimant to discuss their eligibility status. If a claimant is not eligible, the OUI facilitator will issue a notice of determination disqualifying the claimant for that period.
 - Eligibility issues include:
 - Able and available for work
 - Refusing work
 - Failing to meet work-search requirements
 - Self-employment
 - Income adjustments that may occur if the claimant receives income from severance pay, vacation pay, Social Security Insurance, or employer pension.
- Claimant education on initial claim filling, plain language and better options to help describe the scenario.

IV. Summary of Cases Where Repayment Was Not Attempted Due to a Statutory Exception

Recovery of benefit overpayments are not pursued if the claim is under appeal. This varies based on the number of determinations issued with a disqualification and corresponding overpayment. Currently, there are no known cases of attempted recovery on an overpayment where the individual may be a victim of identity theft. Overpayment recovery is stopped if a death certificate is provided for an individual with an overpayment.

V. Analysis of Any Cost Savings to the Commonwealth

By using multi-factor authentication methods, Kentucky has seen a reduction in total UI fraud cases. Since the integration of ID.ME, initial fraud cases in the system have dropped to less than 1%. Communication is provided to the OUI staff on a bi-weekly basis to address upcoming program, procedural and system updates. Staff also have continuing education opportunities on UI processes, including fraud identification, and training through online services such as NASWA and via TEAMS.

Recoupments posted between 8/1/2024 and 9/1/2025		
	Count	Amount
Cash Repayment	49,281	\$13,025,663.68
Benefit Offset	10,070	\$2,430,646.43
Total	59,351	\$15,456,310.11
Overpayments established between 8/1/2024 and 9/1/2025		
	Count	Amount
Admin Error	8,786	\$5,964,084.00
FRAUD	602	\$2,135,413.39
NON FRAUD	7,016	\$5,421,088.00
Total	16,404	\$13,520,585.39

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