



## EDUCATION AND LABOR CABINET Office of Unemployment Insurance

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September 24, 2026

Legislative Research Commission  
700 Capital Avenue  
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### **Re: Annual Report 2026**

To Whom It May Concern:

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).

#### **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.
- Federal Treasury Offset Program (TOP) and State Revenue Offset—OUI may refer debt to TOP and State Revenue 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 participates in the federal Prisoner Update Processing System (PUPS). This program will alert OUI staff to investigate if an incarcerated individual attempts to file a claim or request unemployment insurance (UI) benefits.

- 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.
- KY OUI conducts quarterly cross match audits and actively participates in National Directory of New Hires (NDNH) and State Directory of New Hire (SDNH) cross-matching audits.
- 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 reach out to the claimant to discuss their eligibility status. If a claimant does not meet eligibility status, the OUI facilitator will issue a Notice of Determination disqualifying the claimant for their ineligibility period.
  - Eligibility issues include:
    - Able and Available for work
    - Refusing work
    - Failing to meet work search requirements
    - Self-employment
    - Income adjustments may occur if the claimant receives income from severance pay, vacation pay, Social Security, or employer pension.

## **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 & 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. Base period wage information error could result in the claimant being paid more than 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.
- 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 Associations (NASWA) Integrity Data Hub (IDH) to identify fraud markers via suspicious actor repository.

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

Currently, recovery of benefits is not pursued if the claimant is under appeal, a potential victim of fraud, or is deceased.

**V. Analysis of Any Cost Savings to the Commonwealth**

Using Multi-Factor Authentication methods, Kentucky has seen a reduction in fraud cases. Since the integration of ID.ME, initial fraud cases in the system have been reduced to less than 1%. Communication is provided to the OUI staff on a biweekly basis to address upcoming program, procedural, and system updates. Staff have continuing education opportunities on UI processes, including fraud identification. Staff training is held through online services such as NASWA, and via TEAMS.

| Recoupments posted between 9/2/2025 and 8/18/2026       |                 |
|---------------------------------------------------------|-----------------|
| Count                                                   | Amount          |
| 50,499                                                  | \$13,385,376.91 |
| Overpayments established between 9/2/2025 and 8/18/2026 |                 |
| Count                                                   | Amount          |
| 16,584                                                  | \$10,168,051.00 |

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