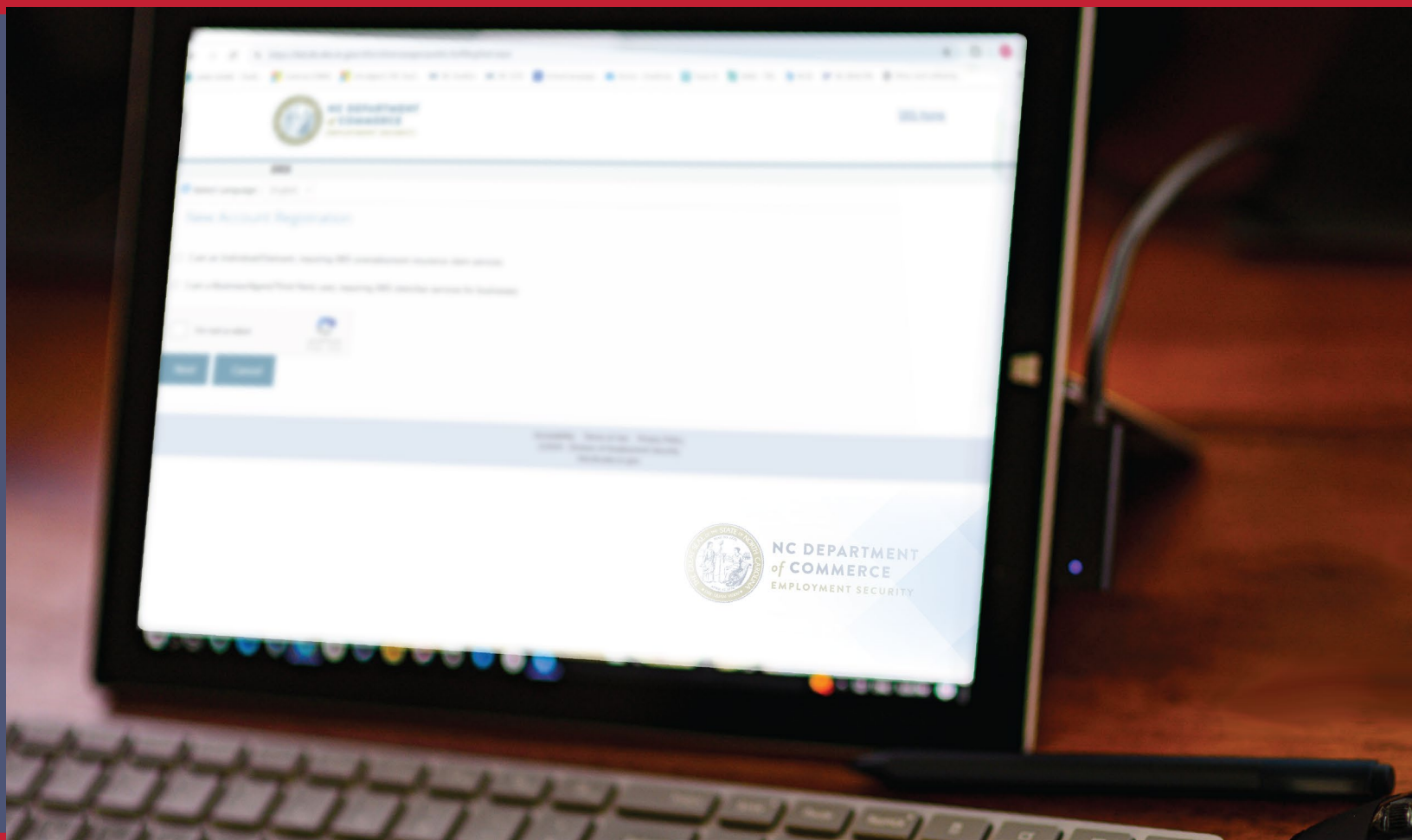


North Carolina Department of Commerce Division of Employment Security

First Unemployment Benefit Payment Follow-Up

Raleigh, NC



Performance Audit Report

June 2026

State Auditor
Dave Boliek

*A Constitutional Office of the
State of North Carolina*





North Carolina Office of the State Auditor
Dave Boliek, State Auditor

Auditor's Transmittal

The Honorable Josh Stein, Governor
The Honorable Phil Berger, President Pro Tempore
The Honorable Destin Hall, Speaker of the House
Honorable Members of the North Carolina General Assembly
Lee Lilley, Department of Commerce Secretary
M. Antwon Keith, Division of Employment Security Assistant Secretary

To all:

When North Carolinians who qualify for unemployment benefits sign up to receive payments, there is a reasonable expectation that government will deliver the first unemployment benefits check on time. For 15 years now, unfortunately, North Carolina has failed to meet federal timeliness standards. The Office of the Governor, through the Department of Commerce, Division of Employment Security (DES) has not met the federal timeliness standard for first unemployment benefit payments since 2011.

The North Carolina Office of the State Auditor's follow-up performance audit shows that for the most recent period evaluated – July 1, 2024, through November 30, 2025 – DES did not meet the timeliness standards for payments 28% of the time. Specifically, 31,366 of 111,413 payments were not made within the federally required 14-day standard. A total of approximately \$12.2 million in payments were late, meaning North Carolinians had to wait weeks, and sometimes months, to receive unemployment payments following a job loss.

The 28% untimely rate is an improvement from our 2024 audit, which found DES did not issue 43% of first unemployment benefit payments in a timely manner. Nevertheless, this issue has persisted for decades; even as recommendations have been presented.

As stated in our team's audit, DES's unemployment claim process has not been designed to consistently deliver timely first payments. At this point, given North Carolina has consistently ranked among the most untimely states averaging 41st overall since 2005, there should be a sense of urgency to fix this issue.

The first week of unemployment may be the most detrimental for those experiencing a job loss – the last thing citizens faced with uncertainty need is an unreliable government service. The Department of Commerce has been cooperative as the North Carolina Office of the State Auditor conducted this audit, and hopefully the agency's agreement with our findings and recommendations will lead to improvements in timeliness of government service.

Respectfully submitted,

Dave Boliek
State Auditor

The Office of the State Auditor (OSA) has completed a follow-up performance audit in accordance with Chapter 147, Article 5A of the North Carolina General Statutes to determine the timeliness of first unemployment benefit payments from the North Carolina Department of Commerce, Division of Employment Security (DES) during the period of July 1, 2024, through November 30, 2025.

Audit Findings

First Unemployment Benefit Payments Continue to Be Untimely

DES did not issue 28% of first unemployment benefit payments timely during the audit period, resulting in late payments totaling approximately \$12.2 million. Specifically, 31,366 of 111,413 first unemployment benefit payments were not made within the federally required 14-day standard. As a result, many North Carolinians waited weeks, and in some cases, months, to receive payments during a period of job loss.

Federal regulations require at least 87% of first unemployment benefit payments to be made to North Carolina claimants within 14 days of the end of claimants' first compensable week.¹ North Carolina has not met this federal timeliness standard since 2011 and has fallen short in all but three years over the past two decades. North Carolina has also consistently performed below the national average in most years since 2012.

Over 13,500 first unemployment benefit payments were made after more than 35 days, which exceeds a typical billing cycle for mortgages, rent, utilities, etc. These delays increase the risk of financial strain for affected claimants, including difficulty meeting housing, utility, food, and other basic needs.

Recommendations

OSA recommends that DES:

- Prioritize evaluating its unemployment benefit claims process design.
- Monitor first payment timeliness, identify delay patterns, and implement corrective actions.
- Prepare for increased claim volumes by continuing to implement, assess, monitor, and update its Service Escalation Readiness Plan.

¹ 20 CFR § 640.5.



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Chapter 147, Article 5A of the North Carolina General Statutes gives the Auditor broad powers to examine all books, records, files, papers, documents, and financial affairs of every state agency and any organization that receives public funding. The Auditor also has the power to summon people to produce records and to answer questions under oath.



Background

North Carolina Unemployment Insurance (UI) Program

The North Carolina unemployment insurance (UI) program is a federal-state partnership administered by the North Carolina Department of Commerce, Division of Employment Security (DES) and funded by employer-paid unemployment taxes. The program provides temporary financial assistance to unemployed workers who lost their jobs through no fault of their own and are able, available, and actively seeking work.



**NC DEPARTMENT
of COMMERCE**
EMPLOYMENT SECURITY

Broad federal guidelines govern UI programs. Federal law requires each state's unemployment compensation law to include administrative methods that ensure prompt and full payments of unemployment benefits to eligible claimants.² While guided by federal requirements, UI programs are primarily administered under state law.³

The UI Claim Process

In North Carolina, claimants may file unemployment benefit claims online or by phone. All claims are sent through DES's claims processing system, Southeast Consortium Unemployment Benefits Integration (SCUBI).⁴ SCUBI is designed to identify issues⁵ on initial claims that could affect eligibility.

If no eligibility issues are identified, SCUBI automatically processes the claim to be paid. If eligibility issues are identified, DES staff manually review the claim and may request additional information from the claimant to determine whether the claim meets eligibility requirements.

The Federal Timeliness Standard

North Carolina law requires claimants to serve an unpaid waiting week before receiving unemployment benefits.⁶ Federal regulations require each state with a waiting week rule to pay at least 87% of claims for first unemployment benefit payments within 14 days of the end

² 42 U.S.C. § 503(a)(1) (limiting federal payments to states with unemployment compensation laws with "[s]uch methods of administration . . . as are found by the Secretary of Labor to be reasonably calculated to insure full payment of unemployment compensation when due"); 20 CFR § 640.1(4) ("A State law will satisfy the requirement of [42 U.S.C. § 503(a)(1)], if it contains a provision requiring, or which is construed to require, such methods of administration as will reasonably insure the full payment of unemployment benefits to eligible claimants with the greatest promptness that is administratively feasible.").

³ North Carolina's unemployment compensation law is codified within Chapter 96 of the North Carolina General Statutes.

⁴ Implemented in September 2018, SCUBI resulted from a three-state consortium comprised of North Carolina, South Carolina, and Georgia to modernize the states' aging unemployment benefit systems and increase the effectiveness and efficiency of unemployment claims processing. SCUBI provides a single web-based system configured to meet the needs of each of the participating states.

⁵ Examples of eligibility issues include (1) insufficient wage or employment history, (2) reason for separation (claimant quit vs. being laid off), and (3) inability to attain employment due to a temporary disability, etc.

⁶ N.C.G.S. § 96-14.1(b). The waiting week is the claimant's first eligible week for unemployment benefits under each claim. In North Carolina, claimants must serve a waiting week for each claim filed. Claimants do not receive payments during this week. Therefore, the second week claimed is the first compensable week, and the 14-day standard is measured from the last day of the second claimed week.

of claimants' first compensable week.⁷ This standard was established by the U.S. Department of Labor (U.S. DOL) as evidence of “substantial compliance”⁸ and reflects the balance between claimants' need for income replacement and states' need to investigate eligibility accurately.

The timeliness rate is calculated and reported to the U.S. DOL's Employment and Training Administration (ETA).⁹ States that consistently fall below the standard are expected to develop and implement corrective action plans.¹⁰

History of Timeliness Deficiencies in North Carolina

North Carolina's UI program has failed to meet the 87% federal timeliness standard in all but three years over the past two decades. This is not a new problem, and prior OSA audits have documented it in detail:

- In March 2022, OSA found that DES did not issue 40% of first unemployment benefit payments timely during the period of January 1, 2020, through March 31, 2021. This represents 1.47 million of 3.67 million first payments, totaling approximately \$438 million.
- In November 2024, OSA found that DES did not issue 43% of first unemployment benefit payments timely during the period of January 1, 2023, through December 31, 2023. This represents 26,097 of 60,815 first payments, totaling approximately \$7.8 million.

Table 1 shows North Carolina's performance against the federal timeliness standard over the past 20 years and its persistent gap below the national average.

⁷ 20 CFR § 640. Compensable week is a UI claimant's first week in which they meet the state's eligibility conditions for UI benefit payments.

⁸ Ibid.

⁹ For a searchable database of timeliness rates reported to the ETA, see *U.S. Department of Labor, Emp. & Training Admin., Benefits: Timeliness and Quality Reports*, <https://oui.doleta.gov/unemploy/btq.asp>.

¹⁰ See 20 CFR § 640.8.

**Table 1: Timeliness of First Payments: NC vs. U.S. Average
(April 1, 2004 – March 31, 2025)¹¹**

Fiscal Year	% NC First Payments within Federal Timeliness Standard	% US First Payments within Federal Timeliness Standard (US Average)	NC Rank 1 = Most Timely 53 = Least Timely ¹²
2025	71.5	75.4	33
2024	60.1	71.7	46
2023	66.1	66.9	35
2022	67.1	58.6	22
2021	60.5	63.7	37
2020	70.3	88.3	53
2019	52.4	85.8	53
2018	72.8	83.3	49
2017	62.4	83.9	52
2016	69.3	83.7	51
2015	60.1	82.5	53
2014	69.3	79.0	48
2013	80.2	81.1	39
2012	79.4	83.8	42
2011	92.1	83.0	9
2010	83.3	81.6	36
2009	82.3	84.4	39
2008	87.4	87.5	41
2007	85.7	88.2	44
2006	82.6	87.2	46
2005	87.4	88.9	43

Source: State Rankings of Core Measures, Employment & Training (ETA) – U.S. Department of Labor (<https://oui.doleta.gov/unemploy/ranking/rankingrpt.asp>).

Table 1 shows that North Carolina last met the 87% federal standard in 2011 and has only met the standard three years over the past two decades: in 2011, 2008, and 2005. In every other year, the State fell short.

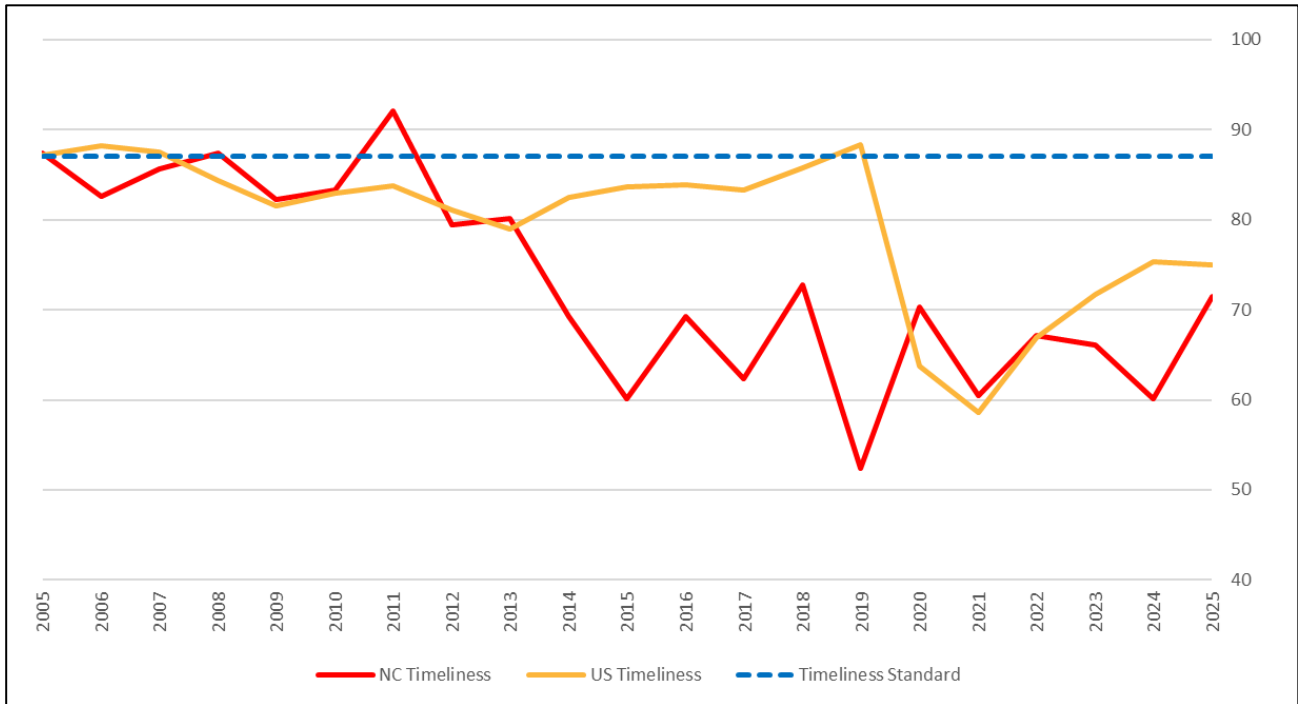
As noted in Table 1 and Graph 1, North Carolina's performance has also regularly fallen below the national average. Over the 20-year period, North Carolina consistently ranked among the most untimely states, averaging 41st overall, finishing last (53rd) in three separate years, and appearing in the top 20 only once.

Consequently, North Carolina claimants often wait longer for payments than claimants in other states.

¹¹ The federal fiscal year for State unemployment programs runs from April 1 through March 31.

¹² The data includes the 50 U.S. states and three non-state jurisdictions (District of Columbia, Puerto Rico, and U.S. Virgin Islands).

Graph 1: Timeliness of First Payments: NC vs. U.S. Average (April 2005 – March 2025)



Source: State Ranking of Core Measures, Employment & Training Administration (ETA) – U.S. Department of Labor (<https://oui.doleta.gov/unemploy/ranking.asp>)



Findings and Recommendations

DES Did Not Issue 28% of First Unemployment Benefit Payments Timely, Affecting an Estimated \$12.2 Million in Payments

During the period of July 1, 2024, through November 30, 2025, DES did not issue 28% of first unemployment benefit payments within the 14-day federal timeliness standard. Specifically, 31,366 of 111,413 first payments, totaling an estimated approximately \$12.2 million,¹³ were not paid timely.

This represents an improvement in first payment timeliness from [OSA's November 2024 audit](#) that found that DES did not issue 43% of first unemployment benefit payments timely.¹⁴ However, the risk that untimely payments will continue in the future remains.

As noted, first payment timeliness is an issue identified in prior OSA audits and reflects a performance gap that has persisted over time. North Carolina last met the federal timeliness standard in 2011 and has consistently ranked among the most untimely states over the last 20 years, averaging 41st overall, finishing last (53rd) in three separate years, and appearing in the top 20 only once.¹⁵

What Untimely Payments Mean for North Carolinians

For unemployed workers, the first unemployment benefit payment is often their only immediate source of income replacement after a job loss. When first payments are delayed, claimants may be more likely to face financial strain, including difficulty covering housing, utilities, food, and other basic needs.

These consequences are particularly significant for claimants who waited for payment beyond 35 days which exceeds a typical billing cycle for mortgages, rent, utilities, etc. Table 2 shows how many first payments were not made within 35 days during the audit period and the estimated dollar value of those delayed payments.

¹³ The actual dollar value attached to untimely payments was not available. To estimate the dollar amount of untimely first payments, auditors calculated by multiplying the number of untimely first payments (31,366) by the average weekly payment amount of \$390.46 for all unemployment benefit payments. Following and in response to Hurricane Helene, Governor Roy Cooper increased the maximum weekly benefit for UI benefit payments from \$350 to \$600 via executive order; this increase was effective from September 29, 2024 through March 1, 2025. N.C. EXEC. ORDER No. 322 (September 29, 2024), <https://governor.nc.gov/executive-order-no-322/open>.

¹⁴ During the period January 1, 2023, through December 31, 2023.

¹⁵ See Table 1 on page 3 and Graph 1 on page 4.

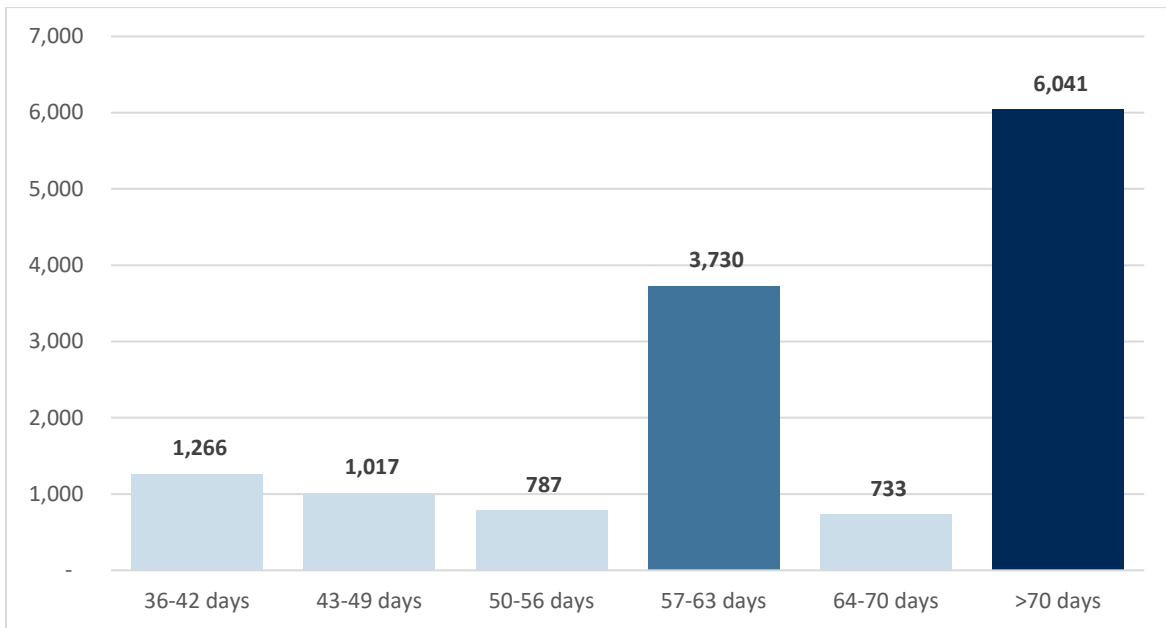
**Table 2: First Unemployment Benefit Payments Later than 35 Days
(July 1, 2024 - November 30, 2025)**

# of Days to Payment	# of Untimely Payments >35 Days	% of Untimely Payments	% of All Payments	\$ Value (Estimated) ¹⁶
36-42 days	1,266	4.0%	1.1%	\$ 494,392
43-49 days	1,017	3.2%	0.9%	397,273
50-56 days	787	2.5%	0.7%	307,368
57-63 days	3,730	11.9%	3.3%	1,456,568
64-70 days	733	2.3%	0.7%	286,272
>70 days	6,041	19.3%	5.4%	2,358,806
Total:	13,574	43%	12%	\$ 5,300,679

Source: DES data from U.S. Department of Labor and Auditor Analysis

During the audit period, 13,574 first payments (12% of all first payments) were not made within 35 days, representing an estimated \$5.3 million. As shown in Graph 2, 6,041 of those first payments resulted in claimants waiting more than 70 days for their first payment.

**Graph 2: First Unemployment Benefit Payments Later than 35 Days
(July 1, 2024 - November 30, 2025)**

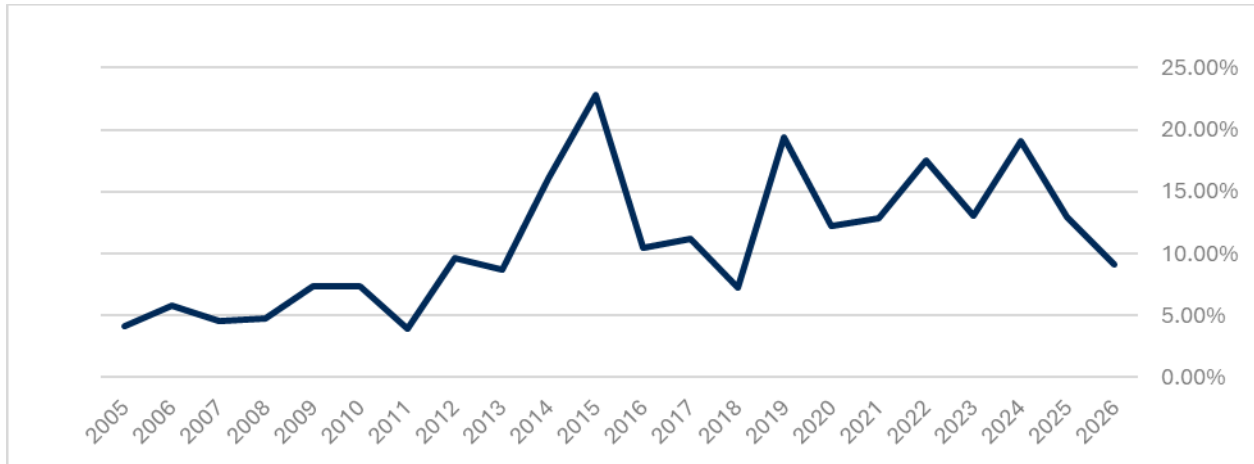


Source: DES data from U.S. Department of Labor and Auditor Analysis

¹⁶ There were an estimated \$43.5 million of first payments made during the audit period. The actual dollar value attached to the payments was not available. To estimate, auditors calculated the approximate dollar amount of first payments in each category by using the average weekly payment amount of \$390.46 for all unemployment benefit payments.

This pattern is not new. As shown in Graph 3, approximately 10% of all first payments to North Carolina claimants were not made within 35 days during the past 20 years.¹⁷

Graph 3: Payments > 35 Days as a Percentage of All Payments Made



Source: DES data from U.S. Department of Labor and Auditor Analysis.

Why Are Payments Untimely?

Determining the root causes of untimely payments was not within the scope of this audit. However, prior OSA audits have identified the following as contributing factors:

- DES's unemployment claim process has not been designed to consistently deliver timely first payments.
- DES management has not monitored first payment timeliness on a sustained basis.
- DES has not been adequately prepared for economic downturns that predictably increase claim volume.
- Prior audit recommendations have not been fully implemented in a timely manner.

Recommendations

To improve the timeliness of first unemployment benefit payments and work toward meeting the 87% federal standard, OSA recommends that DES continue taking steps to implement prior audit recommendations. Specifically, DES should:

- **Prioritize evaluating its unemployment benefit claims process design** to identify total processing time (including review and approval of claims) and ensure first payments meet the federal unemployment benefit payment timeliness standard.
- **Monitor first payment timeliness, identify delay patterns, and implement corrective actions.** DES should establish a process for regularly tracking first payment timeliness rates, identifying the specific claim types and processing stages contributing

¹⁷ Specifically, 408,845 claims out of a total claim volume of 4,321,626 from April 2004 through November 2025 were not paid within 35 days. Data presented in Graph 3 is from the beginning of federal fiscal year for State unemployment programs 2005 (starting April 1, 2004) through partial federal fiscal year 2026 (through November 2025).

Findings and Recommendations (continued)

most to delays, reporting results to DES leadership, and implementing corrective actions aimed at improving performance against the federal 87% standard.

- **Prepare for increased claim volumes.** DES management should continue its efforts to implement, assess, monitor, and update (as applicable) its Service Escalation Readiness Plan. DES adopted the plan in November 2023 in response to previous OSA audit findings for the purpose of planning how DES would respond to an economic downturn that could result in a significant increase in unemployment claims.



Objective, Scope, and Methodology

Objective

The audit objective was to determine the timeliness of first unemployment benefit payments from the North Carolina Department of Commerce, Division of Employment Security (DES) during the period of July 1, 2024, through November 30, 2025.

Scope

The audit scope included first unemployment benefit payments made to claimants during the audit period. The scope did not include the timeliness of subsequent unemployment benefit payments, the accuracy of payment amounts, or whether payments were made to eligible claimants. Determining the root causes of untimely payments was also outside the scope of this audit.

Methodology

To achieve the audit objectives, auditors:

- Reviewed state and federal laws relevant to unemployment insurance.
- Reviewed performance measures established by ETA for timeliness of first unemployment benefit payments.
- Reviewed relevant reports from the U.S. DOL Office of the Inspector General.
- Analyzed data reported to ETA for North Carolina first unemployment benefit payment timeliness.

Due to the nature of audit testing and inherent limitations of any system of internal and management controls, this audit may not disclose all performance weaknesses or noncompliance.

We considered internal control that was relevant to the audit objectives in planning and performing our audit. However, because internal control was not significant within the context of the audit objectives, we did not design our audit procedures to assess the design, implementation, or operating effectiveness of internal control. Accordingly, this audit does not provide a basis for expressing an opinion on internal control.

We conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.



Response From the Department of Commerce



May 27, 2026

The Honorable Dave Boliek
State Auditor
State of North Carolina
20601 Mail Service Center
Raleigh, NC 27699

Dear Auditor Boliek:

Thank you for providing the North Carolina Division of Employment Security (DES) with the opportunity to respond to the performance audit report received on May 7th, 2026, regarding timeliness of first unemployment benefit payments. DES appreciates the time, attention, and collaboration provided by the Office of the State Auditor throughout the audit process. The agency values observations and recommendations that help further improve the State of North Carolina's Unemployment Insurance Program. DES remains committed to providing the best systems and services to citizens and employers.

DES is committed to continuous improvement and recognizes the importance of regularly evaluating processes, technology, and operations to strengthen program effectiveness, service delivery, accountability, and integrity. DES greatly values the dedication and expertise of its staff, whose knowledge and operational experience are critical to implementing and sustaining meaningful improvements.

DES agrees with the recommendations outlined in this report, some of which we have already begun discussing. DES also recognizes that successful process improvements require adequate funding, staffing capacity, and technology investments to ensure long-term effectiveness and operational stability.

Untimely Payments Follow-Up

OSA made three recommendations outlined below:

1. Prioritize evaluating its unemployment benefit claims process design to identify total processing time (including review and approval of claims) and ensure first payments meet the federal unemployment benefit payment timeliness standard.
2. Monitor first payment timeliness, identify delay patterns, and implement corrective actions. DES should establish a process for regularly tracking first payment timeliness rates, identifying the specific claim types and processing stages contributing most to delays, reporting results to DES leadership, and implementing corrective actions aimed at improving performance against the federal 87% standard. With the statewide implementation of the work search repository completed in December 2025, DES should redirect efforts toward addressing the other causes of improper payments.

3. Prepare for increased claim volumes. DES management should continue its efforts to implement, assess, monitor, and update (as applicable) its Service Escalation Readiness Plan. DES adopted the plan in November 2023 in response to previous OSA audit findings for the purpose of planning how DES would respond to an economic downturn that could result in a significant increase in unemployment claims.

The following are DES's responses to the audit recommendations:

Recommendation 1:

Prioritize evaluating its unemployment benefit claims process design to identify total processing time (including review and approval of claims) and ensure first payments meet the federal unemployment benefit payment timeliness standard.

Agency Response:

DES agrees with the recommendation. DES will continue to prioritize solutions that improve the processing time for First Payment Timeliness. DES will continue to seek ways to modernize their systems and services.

Recommendation 2:

Monitor first payment timeliness, identify delay patterns, and implement corrective actions. DES should establish a process for regularly tracking first payment timeliness rates, identifying the specific claim types and processing stages contributing most to delays, reporting results to DES leadership, and implementing corrective actions aimed at improving performance against the federal 87% standard.

Agency Response:

DES agrees with the recommendation. DES will continue to evaluate staffing levels and implement process improvement opportunities to improve First Payment Timeliness.

Recommendation 3:

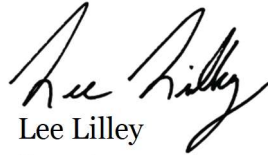
Prepare for increased claim volumes. DES management should continue its efforts to implement, assess, monitor, and update (as applicable) its Service Escalation Readiness Plan. DES adopted the plan in November 2023 in response to previous OSA audit findings for the purpose of planning how DES would respond to an economic downturn that could result in a significant increase in unemployment claims.

Agency Response:

DES agrees with the recommendation. DES has instituted a Service Escalation Readiness Plan and will continue to evaluate its preparedness quarterly. The plan's primary processes are conducting readiness assessments by the DES business and service units, monitoring and reporting national and state economic conditions for potential employment-impacting events and maintaining a list of actions and their underlying steps to respond to an escalation.

Thank you for your continued partnership in ensuring sound performance of DES responsibilities.

Sincerely,



Lee Lilley
Secretary

CC: Chief Deputy Secretary Kenny Flowers
Assistant Secretary M. Antwon Keith

Ordering Information

Copies of this report may be obtained by contacting:



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