



March 1, 2021

MEMORANDUM FOR: CAROLYN R. HANTZ
Assistant Inspector General for Audit

FROM: SUZAN G. LEVINE *SGL*
Principal Deputy Assistant Secretary
Employment and Training Administration

SUBJECT: Response to the Office of Inspector General's Alert Memorandum:
Employment and Training Administration Needs to Ensure State
Workforce Agencies Implement Effective Unemployment
Insurance Program Fraud Controls for High Risk Areas, Report
Number: 19-21-002-03-315

The Department of Labor's (Department) Employment and Training Administration (ETA) greatly appreciates this opportunity to respond to the Office of Inspector General's (OIG) Alert Memorandum, "ETA Needs to Ensure State Workforce Agencies [SWA] Implement Effective Unemployment Insurance [UI] Program Fraud Controls for High Risk Areas," Report Number: 19-21-002-03-315 (Report), and to its recommendations.

ETA recognizes the OIG's crucial role under the Coronavirus Aid, Relief, and Economic Security (CARES) Act, Pub. L. 116-136, in helping to combat fraud and abuse within the UI program. Additionally, we agree with the OIG's assessment regarding the significant increase in fraudulent activity challenging state UI programs across the nation and recognize that ETA must remain vigilant in overseeing these programs and provide states with the tools and resources they need to combat this new type of sophisticated imposter fraud impacting the UI system.

ETA shares the OIG's concerns set forth in its Report regarding potential fraudulent UI benefit payments made to individuals using identical social security numbers to file claims across multiple states, using social security numbers belonging to deceased persons and incarcerated individuals, and filing claims with suspicious email accounts. Along with delivering relief to the millions of legitimate claimants who are relying on the UI system to meet their basic needs during an unprecedented economic and public health crisis, UI program integrity is a top priority for ETA. We continue to take actions and expand our efforts to address fraud in the UI system. ETA will also continue its aggressive outreach to states and offer technical assistance targeted at curtailing fraud and improper payments.

The OIG's Report is based on a subset of the potential fraudulent UI activities occurring from March 2020 through October 2020. During this time, states faced significant challenges in implementing and operationalizing new programs and processing an unprecedented increase in the volume of UI claims. However, since June 2020, many states have taken action to improve their capabilities by implementing various fraud countermeasures and have had significant

success, including using the UI Integrity Center's Integrity Data Hub (IDH) and deploying tools for an improved ability to ensure identity verification of claimants. Additionally, ETA provided states with funding to implement these tools to combat fraud and to add integrity staff to conduct fraud prevention, detection, and investigatory activities. To that end, ETA announced two opportunities for states to request funding for fraud investigation activities through UI Program Letter (UIPL) No. 28-20 and UIPL 28-20, Change 1, published on August 31, 2020, and January 15, 2021, respectively. Each provided funding opportunities of \$100 million to states for fraud prevention activities in the Pandemic Unemployment Assistance and Pandemic Emergency Unemployment Compensation programs enacted under the CARES Act.

We acknowledge the OIG's recommendations that ETA should ensure the SWAs employ more effective fraud controls. ETA will continue to provide technical assistance and encourage all states to implement tools and use datasets available through the IDH and other partners to combat fraud and identity theft.

Additionally, ETA requests that when the OIG identifies information concerning potential fraud through its analysis of state data, it readily shares such information with ETA, the UI Integrity Center, and the targeted states. ETA believes the types of analysis conducted by the OIG with state data will be useful for states in improving their fraud detection and analytical capabilities.

Once again, we thank the OIG for the opportunity to provide feedback and for being our partner in combatting imposter fraud and improper payments during this crisis. We look forward to continuing to collaborate with the OIG to strengthen and improve UI program integrity.

Response to OIG Recommendations

ETA is committed to continuing and increasing its work with states to implement the OIG's recommendations. Below, please find ETA's responses to the OIG's recommendations in the Report and proposed action steps to address them.

Recommendation 1

Establish effective controls, in collaboration with SWAs, to mitigate fraud and other improper payments to ineligible claimants, including the areas identified in the memorandum: UI benefits paid to multi-state claimants, claimants who used the social security numbers of deceased individuals, potentially ineligible federal inmates, and claimants with suspicious email accounts. Effective controls will help prevent similar or greater amounts of fraud and allow those funds to be put to better use.

ETA Response:

We concur with this recommendation. ETA will continue to work with states to establish and strengthen anti-fraud measures implemented as soon as possible.

In addition to emphasizing the importance of program integrity in all our guidance to states, ETA will encourage and actively provide technical assistance to states regarding the implementation of tools and other mechanisms for ensuring payment integrity, including the use of identity

verification solutions, and data sources and tools currently available through the UI Integrity Center's IDH. We will actively work to identify and expand the IDH datasets to enhance the resources available to states.

With regards to mitigating fraud in the specific areas identified in this Report, ETA will continue to promote increased state usage of the following:

- Multi State Cross Match (MSCM) – Using this database, the IDH is able to identify where the same UI claims data elements are being used across multiple states (*i.e.*, flagging a Social Security Number that is being used across four different states). The MSCM also provides a lookback capability to identify after-the-fact matches based on new claims or fraud activity data submitted to the IDH.
- Identity Verification (Death Master File) – This resource currently available in the IDH provides an advanced, centralized ID verification solution enabling states to assess whether an individual is using a false, stolen, or synthetic ID. In addition to other identity verification components, this dataset includes a cross match to the death master file to identify claims filed using identities of deceased individuals.
- Suspicious Email Accounts – This IDH resource allows participating states to cross-match their claims against a database of suspicious E-mail domains that have been associated with fraudulent activity (e.g., YOPmail, Mailinator). The IDH flags claims with these domains for further investigation by the submitting State.

With regards to the Federal Prisoners cross-match, ETA is actively working with the Social Security Administration (SSA) to incorporate the Prisoner Update Processing System (PUPS) cross-match into the suite of datasets in the IDH. While some states already have established the PUPS cross-match with SSA, ETA is working aggressively to ensure that all states have access to this dataset through the centralized IDH. ETA is actively coordinating with SSA in an attempt to complete the PUPS implementation through the IDH in calendar year 2021. ETA will also continue to encourage states to implement cross-matches with other available prisoner data sources, including cross-matching with prisoner datasets at the state and local levels.

Given that prisoner data sets may have a lag in them and knowing that the time after an individual's release is when there is the greatest opportunity to nip recidivism in the bud by providing critical support to the formerly incarcerated, ETA encourages states to ensure that the data they use and the methods they apply take into consideration those individuals who may have recently been released and potentially be eligible for unemployment benefits – especially if they have a COVID-19-related reason for their lack of employment.

ETA knows that the OIG shares its ethos that, throughout these efforts to cross-match data, it is critical to pursue the balance between delivering benefits to those most in need and fighting fraud.

Recommendation 2

Work with Congress to establish legislation requiring SWAs to cross match high risk areas, including the four areas identified in the memo.

ETA Response:

We concur with this recommendation. ETA will work with Congress to consider a wide range of opportunities for improving program integrity. ETA will also continue its efforts to provide technical assistance on legislation and provide information to Congress about additional actions that are necessary to provide the UI program with support to combat improper payments, with a particular focus on fraud, which is a subset of improper payments, while ensuring swift, equitable benefits delivery.