




July 17, 2025

MEMORANDUM FOR: LAURA B. NICOLosi
Assistant Inspector General for Audit

FROM: LORI FRAZIER BEARDEN 
Acting Assistant Secretary for Employment and Training

SUBJECT: Response to Draft Report – *COVID-19: ETA Needs to Improve Its Oversight of States' Efforts to Identify Multistate UI Fraud*, Report No. 19-25-XXX-03-315

The U.S. Department of Labor's (DOL) Employment and Training Administration (ETA) appreciates the opportunity to respond to the above-referenced draft report.

In the draft report, DOL's Office of Inspector General (OIG) reviewed the extent to which ETA and State Workforce Agencies (SWA) addressed potentially fraudulent claims filed by multi-state claimants. The Administration acknowledges that there is still much work to be done to reduce fraud, waste, and abuse in the unemployment insurance (UI) program. ETA is committed to this goal and continues to take important steps to this end. For example, ETA has invested in the UI Integrity Center's Integrity Data Hub (IDH) and dedicated resources for significant progress during the pandemic, incorporated additional data sources, and worked with the UI Integrity Center and states to re-evaluate risk scoring investigation prioritization.

ETA would like to clarify a few areas in the draft report. The draft report acknowledges that ETA provided the OIG's files containing potentially fraudulent multistate claimants to SWAs and agreed to collaborate with the SWAs to combat the sophisticated imposter fraud affecting the UI system. ETA agreed to share the OIG-analyzed claims data with the SWAs as potential fraud tips for the SWAs to conduct further appropriate investigations and actions regarding these claims. However, the draft report conveys a misconception that because ETA did not require the SWAs to report the results of research or investigations regarding each individual claim contained in the OIG files, ETA does not, in general, assess performance regarding UI eligibility determinations. The OIG's draft report also asserts that ETA's decision not to monitor the results of SWAs' research and investigations of the referred potentially fraudulent claims was inconsistent with its collaborative position expressed to the OIG. ETA disagrees with both assumptions.

ETA conducts extensive monitoring of the states' administration and operation of UI programs and has established program performance measures to assess the timeliness and quality of adjudications made by SWAs. Further, ETA never discussed with the OIG, nor committed to following up with each state regarding the SWA's investigation of every claim in the OIG files. This was not the intent when ETA agreed to share the OIG-analyzed claims data with states.

Lastly, ETA has also completed an initial study to identify further opportunities for improvement in the IDH. ETA will also continue efforts to explore potential avenues to address ongoing opportunities, including, but not limited to, seeking Congressional action. ETA has limited statutory authority to require states' use of certain fraud fighting tools, such as the IDH. ETA requests the OIG's support to help move things in a positive direction. ETA welcomes any specific ideas or suggestions that the OIG may have to strengthen the UI system and to further bolster the program against fraud.

Responses to the Recommendations

Please find below each of the recommendations contained in the draft report, followed by ETA's response to each of the recommendations.

Recommendation 1: Evaluate fraud risk mitigation strategies and actions on a quarterly basis to determine their effectiveness and document the results accordingly, in compliance with the processes set forth in ETA's UI Integrity Strategic Plan.

ETA Response: ETA agrees with this recommendation for fully implemented fraud risk mitigation strategies. As acknowledged in the draft report, ETA currently updates, oversees, and communicates its UI anti-fraud strategies through the UI Integrity Strategic Plan, and tracks the actions to implement each strategy on a quarterly basis.

However, ETA disagrees with the part of the recommendation regarding evaluating the effectiveness of each strategy on a quarterly basis. This approach is generally not practicable as most antifraud strategies are unable to be implemented in a single quarter, and typically span multiple quarters and, in some cases, multiple years. Many strategies require more than a single quarter of implementation before evaluation is possible, or the response cadence is simply greater than a month. Quarterly evaluation of a strategy with a statutorily required annual reporting cadence, or which takes six months or more to have effect, would not have value and would be a waste of taxpayer resources. In other cases, a strategy cannot undergo evaluation to determine its effectiveness until the strategy is fully implemented.

ETA's current practice is to assess the effectiveness of each antifraud strategy after the strategy is fully implemented. Fraud risk mitigation is a constant and ever-evolving process that requires assessing risks, designing and implementing strategies and control activities to mitigate assessed risks, and continuous evaluation of outcomes to adapt activities and improve the risk responses.

Given that ETA already tracks the actions toward implementation for each fraud risk mitigation strategy on a quarterly basis in the UI Integrity Strategic Plan and has a process in place to ensure anti-fraud strategies are assessed for effectiveness upon full implementation, ETA respectfully requests that this recommendation be considered for closure. The implementation date for this recommendation was September 1, 2024, when ETA committed to assessing and evaluating antifraud strategies upon implementation and reported this process to the Government Accountability Office (GAO) to close the GAO's open UI fraud risk management recommendations.

Recommendation 2: Issue guidance to states to address the issue of inconsistent reporting of overpayments involving identity fraud.

ETA Response: ETA agrees with this recommendation. ETA will issue additional guidance to address inconsistent reporting of overpayments involving identity fraud.

The Administrator for the Office of Unemployment Insurance is responsible for the implementation of this recommendation. The anticipated completion date for this recommendation is the end of Fiscal Year (FY) 2025.

Recommendation 3: Identify the states that have not complied with ETA 227 reporting requirements for [Federal Pandemic Unemployment Compensation] FPUC and [Pandemic Emergency Unemployment Compensation] PEUC and ETA 902P reporting requirements for [Pandemic Unemployment Assistance] PUA and work with the states to ensure fraudulent overpayments for the [Coronavirus Aid, Relief, and Economic Security] CARES Act UI programs are reported before the commencement of DOL's Fiscal Year 2025 financial statement audit.

ETA Response: ETA agrees with this recommendation but considers this recommendation duplicative of a prior OIG recommendation that ETA is in the process of addressing from OIG Report Number 19-21-004-03-315.¹ Specifically, Recommendation 3 from this earlier audit report states, "Assist states with claims, overpayment, and fraud reporting to create clear and accurate information. Then use the overpayment and fraud reporting to prioritize and assist states with fraud detection and recovery."

ETA acknowledges states struggled to report overpayments accurately during the early stages of the pandemic. ETA has and continues to provide targeted technical assistance to states on establishing, reporting, and recovering overpayments. In fact, in the draft report, the OIG commends ETA for continuing to work with the states to identify and report fraudulent overpayments in the CARES Act UI programs.

The Administrator for the Office of Unemployment Insurance is responsible for the implementation of this recommendation. The anticipated completion date for this recommendation is the end of FY 2026.

¹ OIG Report No. 19-21-004-03-315, *COVID-19: States Struggled to Implement CARES Act Unemployment Insurance Programs*, issued May 28, 2021, <https://www.oig.dol.gov/public/reports/oa/2021/19-21-004-03-315.pdf>.