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REPORT TO THE EMPLOYMENT AND TRAINING ADMINISTRATION



COVID-19: ETA NEEDS TO IMPROVE ITS OVERSIGHT OF STATES' EFFORTS TO IDENTIFY MULTISTATE UI FRAUD

**AUDIT SERIES: HIGH-RISK AREAS FOR POTENTIAL
UI FRAUD, AUDIT ONE OF FOUR**

This report was prepared by Regis & Associates, PC (Regis) under contract to the U.S. Department of Labor, Office of Inspector General, and, by acceptance, it becomes a report of the Office of Inspector General.

A handwritten signature in blue ink, reading "Laura B. Nieves".

U.S. Department of Labor
Assistant Inspector General for Audit

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BRIEFLY...

COVID-19: ETA NEEDS TO IMPROVE ITS OVERSIGHT OF STATES' EFFORTS TO IDENTIFY MULTISTATE UI FRAUD

Why We Did the Audit

As of September 2022, the OIG had reported a cumulative \$45.6 billion paid in four high-risk areas of unemployment insurance (UI) fraud the OIG had identified; multistate claimants—\$29 billion—was the largest area. The OIG shared its data and methodology for identifying those claimants with the Employment and Training Administration (ETA). ETA is responsible for providing states with UI program direction and oversight; the states are responsible for ensuring UI payments go only to eligible claimants and for making determinations of fraud.

Based on the OIG's concerns regarding UI benefits paid in each of the high-risk areas, the OIG began a series of four audits; this is the first in the series. Specifically, for multistate claimants, we contracted with Regis & Associates, PC (Regis) to answer the following question:

To what extent have ETA and state workforce agencies (SWA) addressed potentially fraudulent CARES Act UI claims filed by multistate claimants?

Read the Full Report

For more information, go to:
<https://www.oig.dol.gov/public/reports/oa/2025/19-25-004-03-315.pdf>.

What We Found

Regis found 7 of the 10 SWAs selected for testing confirmed some multistate claimants filed fraudulent UI claims. However, ETA took limited action to ensure states properly addressed the potentially fraudulent UI claims filed by multistate claimants. While ETA transmitted claimant data associated with potentially fraudulent UI claims to the 53 SWAs and Guam, including instructions and requirements on investigations and due process, ETA did not perform the following oversight actions:

- monitor nor require states to report the results of research or investigations of potentially fraudulent UI claims, which would have assisted ETA in identifying high-risk areas for UI fraud;
- ensure the National Association of State Workforce Agencies' Integrity Data Hub (IDH) effectively provided states with useful information to assist in identifying UI fraud; or
- ensure states consistently established and reported fraudulent overpayments distributed to imposter claimants or identify systemic weaknesses that resulted in states reporting zero fraudulent overpayments when UI fraud risk was at its height during the pandemic.

These deficiencies occurred because ETA considered its oversight responsibilities to be limited. Specifically, ETA: (1) did not consider monitoring the results of states' research and investigations as part of its responsibilities; (2) measured IDH effectiveness by the number of claims submitted to and flagged by the IDH rather than by the outcomes of states' fraud investigations; and (3) did not detect states' information technology systems or staffing were insufficient to establish or report fraudulent overpayments.

Without knowledge of the states' investigative results, ETA's ability to assess UI program performance, identify high-risk areas, and provide states with additional tools and guidance to prevent fraudulent overpayments was impaired. In addition, without ETA establishing an outcome-based metric for IDH cross-matches, ETA was unable to determine the IDH's effectiveness in assisting states with identifying fraud.

The OIG selected 181 multistate claimants that filed potentially fraudulent UI claims across 10 SWAs for Regis to test. Regis determined \$1.6 million in UI benefits were paid, and the states confirmed \$404,288 was fraudulent. The fraudulent overpayments confirmed by the states represented 25 percent of the UI benefits paid to the claimants tested.

What We Recommended

Regis made three recommendations to ETA to improve its oversight of states' efforts to identify fraudulent UI claims filed by multistate claimants. ETA generally agreed with the recommendations.

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INSPECTOR GENERAL'S REPORT

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The U.S. Department of Labor (DOL or Department) Office of Inspector General (OIG) contracted with the independent certified public accounting firm of Regis & Associates, PC (Regis) to conduct a performance audit of the Employment and Training Administration's (ETA) and state workforce agencies' (SWA or state)¹ efforts to address potentially fraudulent unemployment insurance (UI) claims filed by multistate claimants.²

The OIG monitored Regis' work to ensure it met professional standards and contractual requirements. Regis' independent audit was conducted in accordance with generally accepted government auditing standards.

Regis was responsible for the auditors' evaluation and the conclusions expressed in the report while the OIG reviewed Regis' report and supporting documentation.

Purpose

Under the Coronavirus Aid, Relief, and Economic Security (CARES) Act and subsequent legislation,³ Congress provided expanded UI benefits to workers who were unable to work due to the COVID-19 pandemic. UI is a joint federal-state

¹ This report uses "state" or "SWA" to refer to the body that administers the UI program within the state, district, or territory. For the 50 states, as well as the U.S. Virgin Islands, Puerto Rico, and the District of Columbia, that administrative body is a SWA. Therefore, there are 53 SWAs.

² Multistate claimants include: (1) individuals who used their own Social Security numbers to file UI claims in multiple states and (2) victims of identity theft whose Social Security numbers were used by fraudsters to file UI claims in multiple states.

³ The CARES Act expanded UI benefits through December 31, 2020. On December 27, 2020, the Continued Assistance for Unemployed Workers Act of 2020 extended the CARES Act UI programs through March 14, 2021. On March 11, 2021, the American Rescue Plan Act of 2021 further extended the CARES Act UI programs through September 6, 2021.

program with each state administering a separate UI program under its own laws while following uniform guidelines established by federal law.

According to ETA, which is responsible for providing UI program leadership, direction, and assistance to SWAs, as of January 2023, about \$888 billion was paid in pandemic-related UI benefits. Additionally, from January 2021 through July 2022, ETA made \$562.6 million available to support the 53 SWAs and Guam with fraud detection and prevention, including identity verification and overpayment recovery activities in pandemic-related UI programs.

The OIG conducts independent oversight of the UI program through audits to strengthen the integrity and efficiency of the program and through criminal investigations to detect and deter large-scale fraud. Applying the Department's Fiscal Year 2022 estimated improper payment rate of 21.52 percent to pandemic UI expenditures, the OIG estimated at least \$191 billion (22 percent) of the \$888 billion in pandemic UI benefits could have been paid improperly, with a significant portion attributable to fraud.

As of September 2022, the OIG—aided by data analytics—had identified \$45.6 billion in potentially fraudulent UI benefits paid in four specific high-risk areas, involving claims with Social Security numbers:

1. filed in multiple states,
2. of deceased persons,
3. used to file with suspicious email accounts, and
4. of federal prisoners.⁴

That \$45.6 billion included \$29 billion to individuals who filed claims in multiple states (multistate claimants) between March 2020 and October 2020. ETA required a claimant who worked in more than one state and became unemployed due to COVID-19-related reasons to only file for UI benefits in one state in any given week of unemployment.

When the OIG identifies anti-fraud measures that may help the UI program, it shares them with the Department and SWAs as appropriate. As of September 2022, the OIG had shared its claimant data and methodology on potential fraud in the four high-risk areas with ETA for distribution to the 53 SWAs and Guam. The states are responsible for ensuring UI benefits are paid only to eligible claimants and for making determinations of fraud. Based on our concerns regarding UI benefits paid in each of the four high-risk areas, we began a series

⁴ Alert Memorandum: Potentially Fraudulent Unemployment Insurance Payments in High-Risk Areas Increased to \$45.6 Billion, Report No. 19-22-005-03-315 (September 21, 2022), available at: <https://www.oig.dol.gov/public/reports/oa/2022/19-22-005-03-315.pdf>

of four audits; this is the first in the series. Specifically, for multistate claimants, we contracted with Regis to answer the following question:

To what extent have ETA and SWAs addressed potentially fraudulent CARES Act UI claims filed by multistate claimants?

To answer this question, Regis reviewed the actions taken by ETA and SWAs—from April 7, 2021, through September 15, 2022—to address the OIG-identified potentially fraudulent UI claims filed by multistate claimants from March 2020 through October 2020. Using a risk-based approach, the OIG selected 181 claimants for Regis to test from the States of Alabama, California, Connecticut, Florida, Illinois, Iowa, New York, and Texas; the District of Columbia; and the U.S. Virgin Islands (10 SWAs).⁵ Regis also reviewed the 10 SWAs' policies, processes, and results of relevant actions taken. However, Regis did not make determinations of fraud or evaluate whether the states made the correct determinations. In addition, Regis surveyed the remaining 43 SWAs and Guam; 28 SWAs (64 percent) responded. Regis also reviewed updated guidance and UI payment reporting activities that extended outside of the audit period. See Appendix A for additional details on scope and methodology.

Results

Regis found 7 of the 10 SWAs (Alabama, California, Connecticut, Florida, Illinois, New York, and Texas) confirmed some multistate claimants filed fraudulent UI claims.⁶ However, ETA took limited action to ensure states properly addressed the potentially fraudulent UI claims filed by multistate claimants.

ETA is responsible for providing oversight of UI fraud risk management and states' management should report internal control deficiencies to ETA—consistent with the Government Accountability Office's Standards for Internal Control in the Federal Government. Specifically, the standards state the oversight body is responsible for overseeing the strategic direction of the entity and obligations related to the accountability of the entity. This includes

⁵ The OIG selected this sample based on the highest per capita benefits paid. The OIG calculated per capita benefits using the number of claimants flagged for multistate claims and the benefit amounts paid to these claimants. The OIG then ranked the SWAs by the per capita amount, largest to smallest, and selected the top 10 SWAs. The OIG also controlled for repetition of SWAs within the four high-risk areas. Therefore, the OIG did not select the same SWAs if they appeared in a higher ranked risk area, resulting in the selection of 10 different SWAs for each of the four high-risk audits. The OIG ranked the high-risk areas from highest to lowest: multistate claimants, deceased persons' Social Security numbers, suspicious email accounts, and federal prisoners' Social Security numbers.

⁶ The remaining three SWAs (District of Columbia, Iowa, and Virgin Islands) determined that the UI claims were nonfraudulent.

overseeing management design, implementation, and operation of an internal control system. Further, management should report deficiencies identified in the internal control system to the oversight body.

ETA transmitted the OIG's claimant data and methodology to the 53 SWAs and Guam in April 2021, including instructions and requirements on investigations and due process. However, ETA did not perform the following oversight actions:

- monitor nor require states to report the results of research or investigations of potentially fraudulent UI claims, which would have assisted ETA in identifying high-risk areas for UI fraud;
- ensure the National Association of State Workforce Agencies' Integrity Data Hub (IDH) effectively provided states with useful information to assist in identifying UI fraud; or
- ensure states consistently established and reported fraudulent overpayments distributed to imposter claimants or identify systemic weaknesses that resulted in states reporting zero fraudulent overpayments when UI fraud risk was at its height during the pandemic.

These deficiencies occurred because ETA considered its oversight responsibilities to be limited. Specifically, ETA: (1) did not consider monitoring the results of states' research and investigations as part of its responsibilities; (2) measured IDH effectiveness by the number of claims submitted to and flagged by the IDH rather than by the outcomes of states' fraud investigations; and (3) did not detect states' information technology systems or staffing were insufficient to establish or report fraudulent overpayments.

Without knowledge of the states' investigative results of potentially fraudulent UI claims, ETA's ability to assess UI program performance, identify high-risk areas, and provide states with additional tools and guidance to prevent fraudulent overpayments was impaired. In addition, without ETA establishing an outcome-based metric for IDH cross-matches, ETA was unable to determine the IDH's effectiveness in assisting states with identifying fraud.

We selected 181 multistate claimants that filed potentially fraudulent UI claims with 10 SWAs for Regis to test. Regis determined \$1.6 million in UI benefits were paid, and states confirmed \$404,288 was fraudulent. The fraudulent overpayments confirmed by the states represented 25 percent of the UI benefits paid to the claimants tested.

We appreciate the cooperation and courtesies ETA extended to us during this audit.



Laura B. Nicolosi
Assistant Inspector General for Audit

CONTRACTOR PERFORMANCE AUDIT REPORT



Independent Auditors' Performance Audit Report on Unemployment Insurance Claims Submitted by Multistate Claimants

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We were engaged by the U.S. Department of Labor (DOL or Department) Office of Inspector General (OIG) to conduct a performance audit of the Employment and Training Administration's (ETA) oversight of state workforce agencies' (SWA or state)⁷ efforts to address potentially fraudulent unemployment insurance (UI) claims filed by multistate claimants.⁸

Specifically, we conducted the audit to answer the following question:

To what extent have ETA and SWAs addressed potentially fraudulent Coronavirus Aid, Relief, and Economic Security (CARES) Act UI claims filed by multistate claimants?

To answer this question, we reviewed the actions taken by ETA and SWAs—from April 7, 2021, through September 15, 2022 (the audit period)—to address the OIG-identified potentially fraudulent UI claims filed by multistate claimants from March 2020 through October 2020. Using a risk-based approach, the OIG selected 181 claimants for us to test from the States of Alabama, California, Connecticut, Florida, Illinois, Iowa, New York, and Texas; the District of Columbia; and the U.S. Virgin Islands (10 SWAs). We also reviewed the

⁷ This report uses "state" or "SWA" to refer to the body that administers the UI program within the state, district, or territory. For the 50 states, as well as the U.S. Virgin Islands, Puerto Rico, and the District of Columbia, that administrative body is a SWA. Therefore, there are 53 SWAs.

⁸ Multistate claimants include: (1) individuals who used their own Social Security numbers to file UI claims in multiple states and (2) victims of identity theft whose Social Security numbers were used by fraudsters to file UI claims in multiple states.

10 SWAs' policies, processes, and results of relevant actions taken. However, we did not make determinations of fraud or evaluate whether the states made the correct determinations. In addition, we surveyed the remaining 43 SWAs and Guam; 28 SWAs (64 percent) responded. We also reviewed updated guidance and UI payment reporting activities that extended outside of the audit period. See Appendix A for additional details on scope and methodology.

RESULTS

We found 7 of the 10 SWAs (Alabama, California, Connecticut, Florida, Illinois, New York, and Texas) confirmed some multistate claimants filed fraudulent UI claims.⁹ However, ETA took limited action to ensure states properly addressed the potentially fraudulent UI claims filed by multistate claimants.

ETA is responsible for providing oversight of UI fraud risk management and states' management should report internal control deficiencies to ETA—consistent with the Government Accountability Office's (GAO) Standards for Internal Control in the Federal Government. Specifically, the standards state the oversight body is responsible for overseeing the strategic direction of the entity and obligations related to the accountability of the entity. This includes overseeing management's design, implementation, and operation of an internal control system. Further, management should report deficiencies identified in the internal control system to the oversight body.

ETA transmitted the claimant data associated with potentially fraudulent UI claims to the 53 SWAs and Guam in April 2021, including instructions and requirements on investigations and due process. However, ETA did not perform the following oversight actions:

- monitor nor require states to report the results of research or investigations of potentially fraudulent UI claims, which would have assisted ETA in identifying high-risk areas for UI fraud;
- ensure the National Association of State Workforce Agencies' (NASWA) Integrity Data Hub (IDH) effectively provided states with useful information to assist in identifying UI fraud; or

⁹ The remaining three SWAs (District of Columbia, Iowa, and Virgin Islands) determined that the UI claims were nonfraudulent.

- ensure states consistently established and reported fraudulent overpayments distributed to imposter claimants or identify systemic weaknesses that resulted in states reporting zero fraudulent overpayments when UI fraud risk was at its height during the pandemic.

These deficiencies occurred because ETA considered its oversight responsibilities to be limited. Specifically, ETA: (1) did not consider monitoring the results of states' research and investigations as part of its responsibilities; (2) measured IDH effectiveness by the number of claims submitted to and flagged by the IDH rather than by the outcomes of states' fraud investigations; and (3) did not detect states' information technology (IT) systems or staffing were insufficient to establish or report fraudulent overpayments.

Without knowledge of the states' investigative results, ETA's ability to assess UI program performance, identify high-risk areas, and provide states with additional tools and guidance to prevent fraudulent overpayments was impaired. In addition, without ETA establishing an outcome-based metric for IDH cross-matches, ETA was unable to determine the IDH's effectiveness in assisting states with identifying fraud.

ETA Needs to Improve Its Oversight of States' Efforts to Identify Multistate UI Fraud

ETA is the federal agency responsible for providing states UI program direction and oversight. ETA provided states with claimant data associated with potentially fraudulent UI claims, recommended states use the IDH's cross-match, and required states to report aggregated fraudulent overpayment data. However, after taking these actions, ETA did not sufficiently monitor states' fraud detection and reporting activities to ensure improvements to the integrity of the UI program. This occurred because ETA considered its oversight responsibilities to be limited, resulting in an impairment of its ability to assess performance of the UI program and identify high-risk areas.

ETA Neither Monitored Nor Required States to Report Results of Research or Investigations

In April 2021, ETA transmitted to 53 SWAs and Guam a list of multistate claimants who filed potentially fraudulent UI claims, as identified by the OIG. Specifically, ETA sent the list with investigative instructions and due process

requirements. We confirmed all 10 SWAs selected for detailed review as part of this audit received their respective claimant lists from ETA's April 2021 transmission. However, after distributing the list, ETA did not monitor nor require the states to report the results of any research or investigations performed, which would have assisted ETA in identifying high-risk areas for UI fraud. GAO's Standards for Internal Control in the Federal Government prescribes management should report deficiencies identified in the internal control system to the oversight body—which, in the case of the UI system, is ETA.

The 10 SWAs informed us they did not communicate the results of subsequent research or investigations to ETA, even though 7 SWAs' (Alabama, California, Connecticut, Florida, Illinois, New York, and Texas) investigations had confirmed the occurrence of fraudulent transactions. We submitted detailed testing questionnaires to the 10 SWAs for each of the selected 181 UI claimants to determine SWA actions taken to address the potentially fraudulent CARES Act UI claims filed by multistate claimants. Each SWA's response indicated whether the claims had been determined by the state to be fraudulent or nonfraudulent.

We found the 10 SWAs paid \$1.6 million in UI benefits, and the states confirmed \$404,288 was fraudulent. The fraudulent overpayments confirmed by the states represented 25 percent of the UI benefits paid to the claimants tested. This included \$53,824 (13 percent) paid to claimants who filed in multiple states and \$350,464 (87 percent) paid to claimants who filed claims for other fraudulent reasons, including identity fraud (see Exhibit, Tables 2 and 3).

In survey responses, 23 of 27 responding states¹⁰ (85 percent) indicated they did not report to ETA any results of research or investigations regarding the claimant list. The remaining four respondents indicated they generally report fraudulent overpayments to ETA but did not report the results of investigations specific to the claimant list.

In addition, 4 of the 10 SWAs experienced issues of which ETA would likely have been aware had it been monitoring the states' results for trends and emerging issues. For example, three states (Texas, California, and Florida) did not successfully perform an IDH Multistate Cross-Match (cross-match). Through Unemployment Insurance Program Letter (UIPL) No. 23-20,¹¹ ETA strongly recommended states use the cross-match, which can identify when the same

¹⁰ During a survey, we asked 43 SWAs and Guam whether they reported results of investigations to ETA and received responses from 27 SWAs.

¹¹ UIPL No. 23-20, Program Integrity for the Unemployment Insurance (UI) Program and the UI Programs Authorized by the Coronavirus Aid, Relief, and Economic Security (CARES) Act of 2020 - Federal Pandemic Unemployment Compensation (FPUC), Pandemic Unemployment Assistance (PUA), and Pandemic Emergency Unemployment Compensation (PEUC) Programs (May 11, 2020)

claimant information is used to file UI claims in multiple states, for regular UI as well as the Pandemic Unemployment Assistance (PUA) and Pandemic Emergency Unemployment Compensation (PEUC) programs. However, Texas experienced difficulties in exchanging data with the IDH, which prevented it from completing the cross-match. Further, we found California and Florida had not implemented the cross-match as an internal control tool. Finally, District of Columbia SWA officials stated that, due to staff turnover, they could not confirm whether the SWA performed a cross-match on the OIG's list.

ETA Did Not Consider Monitoring Results of SWAs' Investigations as Part of Its Oversight Responsibilities

ETA did not monitor the results of the SWAs' research and investigations of potentially fraudulent UI claims because it did not consider such monitoring activities to be a required part of its oversight responsibilities. This is contrary to government standards on management reporting and managing fraud risks, as well as recommendations from both the OIG and GAO.

ETA relied on the SWAs' submissions of aggregated overpayment and fraud data on the following two distinct pandemic program reports:

1. Quarterly ETA 227: Overpayment Detection and Recovery reports¹² for the Federal Pandemic Unemployment Compensation (FPUC) and PEUC programs; and
2. Monthly ETA 902P: Pandemic Unemployment Assistance Activities¹³ reports for the PUA program.

ETA required states to report aggregated data on UI claims, including established overpayments and non-monetary determinations. ETA officials asserted it is not ETA's responsibility to require states to report the results of their individual investigations. Specifically, ETA officials stated the agency provides guidance and funding to states to operate UI programs and they had no reason to collect claimant-level results of the SWAs' investigations, nor did they have the capacity to evaluate or analyze such data. However, ETA is the federal agency responsible for providing UI program direction and oversight. This responsibility includes distributing federal funds for states' implementation of the CARES Act UI programs, ensuring the integrity of the UI system, and managing fraud risks.

¹² For FPUC and PEUC, SWAs used ETA 227 to report quarterly program activities, including the establishment of overpayments, recoveries of overpayments, criminal and civil actions involving overpayments obtained fraudulently, and an aging schedule of outstanding benefit overpayment accounts.

¹³ For PUA, SWAs used ETA 902P to report monthly data on PUA activities, including application and payment, denials and appeals, and overpayments.

ETA agreed with the OIG's finding in a previous COVID-19 report¹⁴ that there was a significant increase in fraudulent activity in the UI program. In addition, ETA subsequently provided the OIG's list of multistate claimants to SWAs and informed the SWAs it would collaborate with them to combat the sophisticated imposter fraud affecting the UI system. Accordingly, ETA accepted and demonstrated its monitoring responsibilities. Given this prior action, ETA's decision not to monitor the results of the SWAs' research and investigations of potentially fraudulent claims filed by multistate claimants did not align with its proposed collaborative effort to combat imposter fraud expressed to the SWAs.

Further, ETA's oversight responsibility to ensure the integrity of the UI system includes managing its fraud risk environment. In October 2021,¹⁵ GAO recommended DOL designate a dedicated entity and document its responsibilities for managing the process of assessing fraud risks to the UI program consistent with leading practices as provided in its Fraud Risk Framework (see Figure). In addition, GAO recommended DOL should have, among other things, clearly defined and documented responsibilities and authority for managing fraud risk assessments and for facilitating communication among stakeholders regarding fraud-related issues.

¹⁴ Alert Memorandum: The Employment and Training Administration (ETA) Needs to Ensure State Workforce Agencies (SWA) Implement Effective Unemployment Insurance Program Fraud Controls for High-Risk Areas, Report No. 19-21-002-03-315 (February 22, 2021), available at: <https://www.oig.dol.gov/public/reports/oa/2021/19-21-002-03-315.pdf>

¹⁵ GAO, COVID-19: Additional Actions Needed to Improve Accountability and Program Effectiveness of Federal Response, GAO-22-105051 (October 27, 2021), available at: <https://www.gao.gov/products/gao-22-105051>

Figure: GAO's Framework for Managing Fraud Risks in Federal Programs

Source: GAO, A Framework for Managing Fraud Risks in Federal Programs, Report No. GAO-15-593SP (July 2015), available at: <https://www.gao.gov/assets/gao-15-593sp.pdf>

GAO has closed this recommendation based on actions taken by the Department. On January 6, 2023, the DOL Secretary designated DOL's Chief Financial Officer (CFO) as the dedicated entity responsible for managing the process of assessing fraud risks in the UI program. This designation is consistent with leading practices as provided in GAO's Fraud Risk Framework. However, the designation came almost 3 years after the onset of the pandemic. The beginning of the pandemic was the most critical time for administering new temporary programs and states struggled to process the highest level of claims in the history of the UI program.

ETA, with the advisory support of the Office of the Chief Financial Officer (OCFO) Fraud Risk Working Group, also developed a UI Fraud Risk Profile in August 2023. However, this was 8 months after the CFO was designated as the

anti-fraud risk entity. In April 2024, ETA published “Building Resilience: A Plan to Transform Unemployment Insurance.” This plan details seven transformation activities, including bolstering state UI programs against fraud. The plan also listed ongoing and completed strategies, as well as legislative reform proposals.

In May 2024, the OIG and OCFO met to discuss OCFO’s role and responsibilities as it related to the UI program. OCFO officials stated OCFO did not specialize in UI programs; rather, OCFO advised ETA on UI fraud risk management. According to OCFO officials, the UI Fraud Risk Profile is a living document. Further, they stated ETA identified the risks it contains based on high-risk areas reported in previous GAO and OIG reports, as well as data ETA regional offices collected from the states. Altogether, ETA identified 18 UI fraud risks in the UI Fraud Risk Profile, including:

- applicants fraudulently filing claims and receiving benefits across multiple states;
- deceased persons’ identities used to file for UI benefits;
- suspicious email addresses or devices used to file UI claims; and
- incarcerated individuals or prison inmates applying for UI benefits, while misrepresenting their eligibility.¹⁶

In the UI Fraud Risk Profile, ETA and OCFO included responses to mitigate each fraud risk. According to OCFO officials, the challenges to mitigating the risks included the 53 SWAs having: (1) statutory authority to use or not use IDH services and (2) varying laws that define fraud. Nonetheless, ETA developed a UI Integrity Strategic Plan through which it updated, oversaw, and communicated its UI anti-fraud strategies. According to ETA, the strategic plan continuously evolves and includes strategies and anti-fraud controls to combat emerging fraud schemes and address the highest residual risks identified in the UI Fraud Risk Profile. ETA requires states to submit Integrity Action Plans every 6 months to capture ongoing and planned actions to mitigate each fraud risk and reduce improper payments. Further, according to the plan, ETA tracks and evaluates each fraud risk mitigation strategy and action quarterly to determine their effectiveness in mitigating each UI fraud risk and the level of risk that remains.

ETA officials stated, if ETA determined a risk response effectively decreased the UI fraud risk to an acceptable tolerance level, the agency would update the risk ratings in the UI Fraud Risk Profile. Accordingly, these updates could reprioritize the remaining UI risks. If UI risks are reprioritized, ETA would revise the associated control strategies in the UI Integrity Strategic Plan to target higher priority risks. However, if ETA determined a risk response was not effective

¹⁶ In some cases, fraud perpetrators steal inmates’ personally identifiable information to apply for and receive UI benefits.

enough to lower a risk to an acceptable risk tolerance level, the agency would develop additional control strategies. These additional strategies would be added to the UI Integrity Strategic Plan and tracked on a quarterly basis until the control was fully implemented.

This process would be repeated until ETA determined the risk response effectively decreased the risk to an acceptable tolerance level. As new fraud threats emerge, ETA would: (1) update the UI Fraud Risk Profile and (2) incorporate and track additional risk response activities to mitigate the newly identified risks in the UI Integrity Strategic Plan. However, ETA could not provide documented evidence that it performed quarterly evaluations of strategies and actions to determine their effectiveness in mitigating each fraud risk and the remaining levels of risk.

On June 27, 2024, ETA, through Training and Employment Notice No. 32-23, announced the launch of the WorkforceGPS UI Fraud Risk Management webpage.¹⁷ ETA and OCFO developed the webpage to encourage states to share feedback with their ETA regional office, including states' best practices in fraud risk management that could assist other states in operating their UI programs.

In GAO's Framework for Managing Fraud Risks in Federal Programs, GAO emphasized it is critical that the anti-fraud entity be located within the agency and not the OIG, so the OIG can retain independence to serve its oversight role.¹⁸ However, since June 2020, the OIG has been the leading federal entity collecting pandemic-related UI claimant data from states nationwide, performing risk assessments, and identifying high-risk areas. As previously noted, the OIG provided ETA and states with claimant data associated with high-risk potentially fraudulent UI claims and its methodology. These efforts should not be deferred to the OIG's independent oversight. As the oversight agency for UI programs, ETA is responsible for establishing a routine program integrity function. With the support of the CFO as the designated anti-fraud entity, ETA needs to: (1) perform its own data analytics and risk assessments, (2) identify high-risk areas, and (3) update the UI Fraud Risk Profile.

¹⁷ Accessible with account creation request at:

[https://ui.workforcegps.org/resources/2024/05/01/18/20/Unemployment Insurance Fraud Risk Management](https://ui.workforcegps.org/resources/2024/05/01/18/20/Unemployment_Insurance_Fraud_Risk_Management)

¹⁸ GAO, A Framework for Managing Fraud Risks in Federal Programs, GAO-15-593SP (July 2015), available at: <https://www.gao.gov/assets/gao-15-593sp.pdf>

In a September 2023 OIG report,¹⁹ the OIG identified the importance of data analytics in providing effective UI program oversight and combating fraud. In addition, the OIG recommended ETA create an integrity program that incorporates a data analytics capability and regularly monitor state UI claims data to detect and prevent improper payments, including fraudulent payments, and identify trends and emerging issues that could negatively impact the UI program.

In ETA's response to the OIG's report, ETA cited limited funding as the reason for not being able to staff a data analytics team. In addition, ETA stated creating a data analytics capability and monitoring state UI claims data would duplicate DOL's ongoing investment in the UI Integrity Center,²⁰ including the IDH. As an alternative, ETA stated it would leverage ongoing investments in the UI Integrity Center's IDH and work with the UI Integrity Center to improve IDH data analytics capabilities to better identify fraud trends. However, states are not required to participate in the IDH and those that do participate do so to varying degrees, which has limited the IDH's effectiveness. As of September 21, 2023, 51 of the 53 SWAs²¹ used IDH services to some degree. The OIG's recommendations remained unimplemented as of July 8, 2025. We are not reissuing these recommendations but emphasize the importance of addressing them to resolve the deficiencies identified within this report.

ETA Encouraged the Use of NASWA's IDH Cross-Match without Ensuring Its Effectiveness in Assisting States with Detecting Fraud

In UIPL No. 23-20, ETA strongly recommended states employ multiple techniques, including the use of the IDH's cross-match, to validate UI claims and uncover suspicious or fraudulent characteristics. We found 8 of the 10 SWAs (80 percent) responded they used the IDH cross-match to identify UI claims filed by multistate claimants. These responses align with the survey responses where 24 of 28 respondents (86 percent) stated they used the IDH cross-match. However, ETA did not ensure the IDH cross-match was effective in assisting states with detecting fraud.

¹⁹ Alert Memorandum: ETA Needs to Incorporate Data Analytics Capability to Improve Oversight of the Unemployment Insurance Program, Report No. 19-23-012-03-315 (September 25, 2023), available at: <https://www.oig.dol.gov/public/reports/oa/2023/19-23-012-03-315.pdf>

²⁰ The UI Integrity Center, established by the Department and operated by NASWA, is designed to: (1) assist states in their efforts to more effectively prevent, detect, and recover improper and fraudulent payments and (2) improve program integrity by developing and promoting innovative program strategies.

²¹ Guam does not have an IDH agreement.

According to NASWA's data, claims filed by multistate claimants from March 2020 through October 2020 were flagged on 1,232,628 occasions for having matching data points in multiple states. However, the number of flags alone did not indicate the effectiveness of the IDH cross-match tool in assisting states with detecting fraudulent UI claims filed by multistate claimants.

In a previous audit report,²² the OIG found NASWA's IDH was less effective at identifying potentially improper multistate claims when compared to the OIG's data analytics efforts. Further, the OIG found greater oversight of IDH performance was needed if ETA's and states' reliance on the tool for program integrity, including fraud identification, was to continue. The OIG recommended ETA complete an evaluation of the effectiveness of the IDH system, including the methodology used in cross-matching data.

In response to the OIG's recommendation, ETA contracted with a consulting firm to perform a study²³ of the IDH to answer the following questions:

1. How do participating states use the IDH to detect and prevent fraud?
2. How effective do states consider the IDH to be in detecting and preventing fraud?
3. What options are available to inform continuous improvement and effectiveness of the IDH?

The consulting firm found states lacked consistency in how and when they used the IDH, which made it difficult to measure the tool. According to the IDH study, data sharing is the most significant value in the IDH. However, when states, particularly larger states, do not contribute data to the IDH, other states do not benefit and the IDH loses its value. The consulting firm also found many states only reported initial UI claims data to the IDH and did not contribute continued claims information.

ETA Measured IDH's Effectiveness by the Number of Claims Submitted and Flagged Rather Than by the Outcomes of SWAs' Investigations

The purpose of the IDH is not to identify fraud, but rather to provide states with information to help them accurately identify potentially fraudulent claims, with a minimum number of false positives and false negatives. A false positive would be a legitimate claim incorrectly flagged for review, and a false negative would be a fraudulent claim not flagged as suspicious. However, ETA did not establish a

²² COVID-19: ETA Can Improve Its Oversight to Ensure Integrity over CARES Act UI Programs, Report No. 19-23-011-03-315 (September 22, 2023), available at:

<https://www.oig.dol.gov/public/reports/oa/2023/19-23-011-03-315.pdf>

²³ Exploratory Study of the Integrity Data Hub (IDH) Final Internal Report (March 2024)

performance metric to effectively assess how well the IDH results achieved this goal because the current metrics focus on inputs and outputs²⁴ rather than the outcomes (fraud or nonfraud) of states' fraud investigations. The SWAs are not required to report investigative outcome data back to the IDH system. Without ETA establishing an outcome-based metric for IDH cross-matches, ETA is unable to determine how effective the IDH is in assisting states with identifying fraudulent claims.

In a September 2022 OIG report,²⁵ the OIG recommended ETA work with NASWA to: (1) update the IDH Participant Agreement to require states to submit the results of their UI fraud investigations and (2) ensure IDH cross-matches are effective at preventing the types of fraud detected during the pandemic and regularly update the IDH system using the results of state fraud investigations.

ETA offered to revise its required UI-related reports as an alternate approach to meet the intent of the OIG's recommendations. The revised reports would capture: (1) the tools or interventions, including the IDH, a state used to detect potential fraud issues and (2) the aggregated data for outcomes (e.g., determination, overpayment amounts) of the issues such tools or interventions detect. ETA stated revising its required UI-related reports would be more effective. Specifically, the revisions would allow ETA to gather information on IDH outcomes to track the results of investigations and determinations based on the use of the IDH and other information. ETA estimated completing this alternative approach to the recommendations in Fiscal Year 2024. However, as of June 3, 2025, these OIG recommendations remain unimplemented. We are not reissuing these recommendations but emphasize the importance of addressing them to resolve the deficiencies identified within this report.

ETA Did Not Ensure States Consistently Established and Reported Fraudulent Overpayments or Identify Systemic Weaknesses that Resulted in States Reporting Zeros

We found states did not consistently establish and report fraudulent overpayments to ETA, including those resulting from identity fraud. Four of the 10 SWAs (Connecticut, Florida, Iowa, and New York) did not establish nor report overpayments related to imposter claimants unless an investigation subsequently

²⁴ Inputs are the number of claims submitted to the IDH, and outputs are the number of claims flagged by the IDH.

²⁵ COVID-19: ETA and States Did Not Protect Pandemic-Related UI Funds from Improper Payments Including Fraud or from Payment Delays, Report No. 19-22-006-03-315 (September 30, 2022), available at: <https://www.oig.dol.gov/public/reports/oa/2022/19-22-006-03-315.pdf>

identified the imposter. However, the non-identification of an imposter does not negate the fact that an overpayment was made. Without complete overpayment reporting, ETA cannot sufficiently perform its oversight role and effectively direct its resources to address identity fraud. Table 1 lists the 10 SWAs' responses regarding whether they established and reported overpayments related to imposter claimants.

Table 1: Summary of 10 SWAs' Processes for Establishing and Reporting Overpayments Disbursed to Imposter Claimants

SWA	Did the SWA have a process for establishing overpayments disbursed to imposter claimants?	Did the SWA have a process for reporting overpayments disbursed to imposter claimants?
Connecticut	No	No
Florida	No	No
Iowa	No	No
New York	No	No
Alabama	Yes	Yes
California	Yes	Yes
District of Columbia	Yes	Yes
Illinois	Yes	No
Texas	Yes	Yes
Virgin Islands	Yes	Yes

Source: Regis-generated, based on responses from the 10 SWAs

According to Connecticut, Florida, Iowa, and New York officials, since the perpetrators of identity fraud did not have UI accounts, the states did not establish or report overpayments. The officials indicated that, if the states were to establish overpayments, it would unduly impact the victims of identity fraud. However, both Alabama and Texas, per their respective officials, were able to address the impact on the victims by removing the payments from identity fraud victims' accounts and creating pseudo accounts. The SWAs then established and reported the fraudulent overpayments under the pseudo account until the perpetrator of the identity fraud was identified.

Additionally, we found, while Illinois established overpayments for imposter claimants, the state did not report those overpayments. According to Illinois officials, they encountered significant challenges due to a shortage of staff and the use of manual IDH data reviews to detect fraudulent claims. They stated both

of these factors delayed the reporting of fraudulent overpayments on the ETA 227 reports. However, as of January 2025, the state had finalized its imposter claim numbers and began reporting to ETA fraudulent overpayments made to imposters.

Since April 2020, UIPL Nos. 15-20,²⁶ 16-20,²⁷ and 17-20²⁸ have required SWAs to report FPUC, PUA, and PEUC overpayments, including fraud, on ETA 227 (for FPUC and PEUC) and 902P (for PUA) reports. We acknowledge that, for the first 3 months the programs were in existence, there may have been legitimate reasons the states lacked activity to report. However, the applicable UIPLs did not waive the reporting requirements for that period. Therefore, we analyzed the UI reporting activity for the 10 SWAs from April 2020 through September 2022, including the first 3 months for which states were required to report.

As of January 2025, we found that, from April 2020 through September 2022, the 10 SWAs reviewed periodically reported zero fraudulent overpayments related to: (1) the FPUC and PEUC programs on ETA 227 reports and (2) the PUA program on ETA 902P reports. However, it is unlikely there were no fraudulent overpayments disbursed for multiple quarters considering the: (1) high UI fraud risks associated with the quick implementation of the new, high-dollar value pandemic programs; (2) evolving guidance; and (3) rapid increase in UI claims. As part of ETA's oversight role, it should have identified systemic weaknesses that resulted in states reporting zero fraudulent overpayments when UI fraud risk was at its height during the pandemic.

For FPUC, the following seven SWAs reported zero fraudulent overpayments on the quarterly ETA 227 reports:

- California reported zero FPUC fraudulent overpayments for the 10 quarters ending June 30, 2020, through September 30, 2022;
- Connecticut reported zero FPUC fraudulent overpayments for the quarter ending June 30, 2020;

²⁶ UIPL No. 15-20, Coronavirus Aid, Relief, and Economic Security (CARES) Act of 2020—Federal Pandemic Unemployment Compensation (FPUC) Program Operating, Financial, and Reporting Instructions (April 4, 2020)

²⁷ UIPL No. 16-20, Coronavirus Aid, Relief, and Economic Security (CARES) Act of 2020—Pandemic Unemployment Assistance (PUA) Program Operating, Financial, and Reporting Instructions (April 5, 2020)

²⁸ UIPL No. 17-20, Coronavirus Aid, Relief, and Economic Security (CARES) Act of 2020—Pandemic Emergency Unemployment Compensation (PEUC) Program Operating, Financial, and Reporting Instructions (April 10, 2020)

- District of Columbia reported zero FPUC fraudulent overpayments for the quarter ending June 30, 2020;
- Florida reported zero FPUC fraudulent overpayments for the eight quarters ending June 30, 2020, through March 31, 2022;
- Iowa reported zero FPUC fraudulent overpayments for the two quarters ending June 30, 2020, and September 30, 2020;
- Texas reported zero FPUC fraudulent overpayments for the 10 quarters ending June 30, 2020, through September 30, 2022; and
- Virgin Islands reported zero FPUC fraudulent overpayments for the two quarters ending September 30, 2020, and December 31, 2020.

For PEUC, the following seven SWAs reported zero fraudulent overpayments on the quarterly ETA 227 reports:

- California reported zero PEUC fraudulent overpayments for the three quarters ending June 30, 2020, through December 31, 2020;
- Connecticut reported zero PEUC fraudulent overpayments for the two quarters ending June 30, 2020, and September 30, 2020;
- District of Columbia reported zero PEUC fraudulent overpayments for the quarter ending September 30, 2020;
- Florida reported zero PEUC fraudulent overpayments for the five quarters ending June 30, 2020, through December 31, 2020, and September 30, 2022, and December 31, 2022;
- Iowa reported zero PEUC fraudulent overpayments for the two quarters ending June 30, 2020, and September 30, 2020;
- Illinois reported zero PEUC fraudulent overpayments for the quarter ending June 30, 2021; and
- Texas reported zero PEUC fraudulent overpayments for the quarter ending September 30, 2020.

For PUA, all 10 SWAs reported zero fraudulent overpayments on the monthly ETA 902P reports:²⁹

- Alabama reported zero fraudulent PUA overpayments for the month ending April 2020;
- California reported zero fraudulent PUA overpayments for the 13 months ending April 2020 and October 2021 through September 2022;
- Connecticut reported zero fraudulent PUA overpayments for the 30 months ending April 2020 through September 2022;
- District of Columbia reported zero fraudulent PUA overpayments for the 7 months ending April 2020 through October 2020;
- Florida reported zero fraudulent PUA overpayments for the 20 months ending April 2020 through June 2020, September 2020 through January 2021, April 2021, August 2021 through October 2021, December 2021, February 2022, March 2022, and May 2022 through September 2022;
- Illinois reported zero fraudulent PUA overpayments for the 14 months ending April 2020 through November 2020, and January 2021 through June 2021;
- Iowa reported zero fraudulent PUA overpayments for the 7 months ending April 2020 through September 2020, and September 2021;
- New York reported zero fraudulent PUA overpayments for the month ending April 2020;
- Texas reported zero fraudulent PUA overpayments for the 5 months ending April 2020, July 2020, August 2020, October 2020, and November 2020; and

²⁹ PUA fraudulent overpayments excluded fraudulent payments made as a result of identity theft. States are required to report overpayments made as a result of identity theft separately on the ETA 902P report.

- Virgin Islands reported zero fraudulent PUA overpayments for the 19 months ending April 2020 through March 2021, June 2021 through September 2021, December 2021, July 2022, and August 2022.

Previous OIG reports identified states' pervasive non-reporting of overpayments, including fraud, for CARES Act UI programs due to antiquated IT systems. In May 2021,³⁰ the OIG recommended ETA assist states with claims, overpayments, and fraud reports to create clear and accurate information. In August 2022,³¹ the OIG similarly recommended ETA work with states to ensure submission of missing reports and information before the commencement of ETA's Fiscal Year 2022 financial statement audit.

In response to the August 2022 report, ETA agreed with the OIG that complete and accurate reporting is important to the administration and oversight of the temporary UI programs created under the CARES Act and related subsequent legislation. To address the issue, ETA: (1) provided states training on reporting accurate data and submitting ETA 227 and ETA 902P reports, (2) required corrective action plans for states with challenges in reporting as part of their State Quality Service Plans,³² and (3) conducted state-specific technical assistance.

Also, in UIPL No. 28-20, Change 4,³³ ETA announced the availability of up to \$225 million for the SWAs' administrative costs related to reporting and overpayment detection and recovery activities under CARES Act UI programs. As of April 2023, ETA had awarded \$181.2 million to 46 SWAs. ETA anticipates completion of this effort to occur by the end of Fiscal Year 2025.

As of January 2025, more than 2 years since the OIG's August 2022 recommendation, 9 of the 10 SWAs (Alabama, California, Connecticut, District of

³⁰ COVID-19: States Struggled to Implement CARES Act Unemployment Insurance Programs, Report No. 19-21-004-03-315 (May 28, 2021), available at:

<https://www.oig.dol.gov/public/reports/oa/2021/19-21-004-03-315.pdf>

³¹ Alert Memorandum: The Employment and Training Administration Needs to Ensure State Workforce Agencies Report Activities Related to CARES Act Unemployment Insurance Programs, Report No. 19-22-004-03-315 (August 2, 2022), available at:

<https://www.oig.dol.gov/public/reports/oa/2022/19-22-004-03-315.pdf>

³² The annual State Quality Service Plan is the principal vehicle the state UI programs use to plan, record, and manage improvement efforts. The State Quality Service Plan serves as the programmatic plan portion of the grant document through which states receive federal UI administrative funding.

³³ UIPL No. 28-20, Change 4, Support for States to Resolve Outstanding Items from the Expired Coronavirus Aid, Relief, and Economic Security (CARES) Act Unemployment Compensation (UC) Programs, Including Additional Funding to Assist States with Reporting and Detection and Recovery of Overpayments (July 22, 2022)

Columbia, Florida, Iowa, New York, Texas, and Virgin Islands) are still establishing and reporting fraudulent overpayments for the pandemic UI programs. The remaining SWA, Illinois, has completed its reporting efforts. The following list contains specifics on the status of the nine SWAs with reporting efforts ongoing:

- Alabama SWA officials stated the SWA expects to complete its effort by December 2025, but it may take longer. According to SWA officials, Alabama had dealt with a massive claims backlog that consumed the agency's resources. SWA officials stated, now that the backlog issue has been resolved, the SWA will focus its resources on establishing and reporting fraudulent overpayments;
- California SWA officials did not provide an anticipated completion date for identifying, establishing, and reporting fraudulent overpayments;
- Connecticut SWA officials stated it could not provide a completion date based on pending investigations, but will continue to identify and report fraudulent overpayments over the next few years;
- District of Columbia SWA officials stated they expect to complete the investigation process for establishing fraudulent overpayments no later than March 31, 2025. According to agency officials, once fraudulent overpayments are established, the benefit payment control staff will review and report the fraudulent overpayments to ETA;
- Florida SWA officials stated they expect to complete establishing fraudulent overpayments for the pandemic UI programs by February 2025 and reporting by March 2025;
- Iowa SWA officials stated, due to the complexity and volume of the pandemic UI claims, the process of identifying, reporting, and recovering fraudulent overpayments will likely extend for several years;
- New York SWA officials stated they are continuing with UI modernization efforts and anticipate completing fraudulent overpayment reporting by September 2025;

- Texas SWA officials stated establishing fraudulent overpayments for the pandemic UI programs is an ongoing process that will never be completed. Agency officials provided examples of circumstances where overpayments are established when: (1) prior eligibility determinations are reversed through the appeal process, or (2) the owner of a Social Security number (SSN) used to commit identity fraud later files a legitimate claim; and
- Virgin Island SWA officials did not provide an anticipated completion date for assessing the overpayments for the pandemic UI programs. According to agency officials, their efforts to establish fraudulent overpayments have been lagging due to issues with limited staff and delayed responses from employers and claimants.

We commend ETA for continuing to work with the states to identify and report fraudulent overpayments in the CARES Act UI programs. However, these efforts to establish and report fraudulent overpayments have been ongoing for more than 2 years and, based on the 9 SWAs' anticipated completion dates or absence of a completion date, could take longer.

Antiquated IT Systems or Staffing Challenges Caused States' Fraudulent Overpayment Reporting Issues

The SWAs did not consistently establish and report fraudulent overpayments because some SWAs did not have the IT system capability to establish and report fraudulent overpayments distributed to imposter claimants without flagging the victims' SSNs, thus penalizing the victims. Without this IT system capability, the overpayment reporting on the ETA 227 and 902P reports was inconsistent among states and likely understated. However, the association of the fraudulent activity with victims' SSNs does not negate the SWAs' responsibility to report all overpayments, including those due to identity fraud.

ETA issued guidance to SWAs to protect identity fraud victims and ensure the owners of SSNs are not held responsible. Specifically, UIPL No. 16-21³⁴ notes, when a state determines identity fraud has occurred, it must take precautions to protect the rights of and mitigate the negative consequences to the identity fraud victim, including:

- ensuring that if a future claim is filed under the victim's SSN, the claimant undergoes a secondary identity verification process, while minimizing the burden on the victim;

³⁴ UIPL No. 16-21, Identity Verification for Unemployment Insurance (UI) Claims (April 13, 2021)

- ensuring the owner of the SSN is not held responsible for any overpayment or, whenever possible, is not issued a Form 1099G at the end of the year;
- excluding the overpayment from the Treasury Offset Program and suspending Benefit Payment Control collection activity; and
- refraining from initiating any legal actions against the actual owner of the SSN.

The UIPL recommends an option that states can use to mitigate negative impacts on a victim: establishing a pseudo claim record and transferring all claim information regarding the imposter's claim to the pseudo claim once the state makes a fraud determination. The pseudo claim record removes the fraudulent activity from the victim's SSN. This allows the victim to file UI claims in the future and preserves data from the fraudulent activity to be used for future analytics.

According to UIPL No. 20-21, Change 1,³⁵ states that may not have the administrative capability to move fraudulent activity to a pseudo claim may choose to temporarily mark the overpayment as "uncollectible." This ensures victims are not negatively impacted while the state develops a process to disassociate fraudulent activity from the victim's SSN. However, this temporary "uncollectible" classification does not constitute waiving recovery of the overpayment. Therefore, the overpayment should still be reported to ETA on ETA 227 or 902P reports.

Additionally, due to IT system programming or staffing challenges, 8 of 10 SWAs reviewed experienced difficulties that led them to report zero fraudulent overpayments for the FPUC, PEUC, or PUA programs, as follows:³⁶

California

California officials stated the SWA was implementing a new UI system that was completed in June 2024. In addition, California officials stated the SWA did not report PUA fraudulent overpayments because it was working on integrating overpayment programming into the existing system. According to state officials,

³⁵ UIPL No. 20-21, Change 1, Additional State Instructions for Processing Waivers of Recovery of Overpayments under the Coronavirus Aid, Relief, and Economic Security (CARES) Act, as Amended (February 7, 2022)

³⁶ Alabama and New York were excluded from our root cause analysis of states reporting zero fraudulent overpayments because fraudulent overpayments are reported in the month they are detected rather than in the month the payments were made. The two SWAs reported zero fraudulent PUA overpayments for the month ending April 2020, which marked the beginning of PUA program implementation. Therefore, any fraudulent overpayments made in April 2020 would have been detected and reported in later months.

the accurate reporting of FPUC and PEUC fraudulent overpayments began with the quarter ending September 30, 2024.

Connecticut

Connecticut officials stated the SWA initially experienced some setbacks with its new UI system implementation, which resulted in delays in establishing and reporting FPUC and PEUC fraudulent overpayments. In addition, according to officials, the state reported zero PUA fraudulent overpayments because processing accurate overpayments would have delayed its UI system modernization.

District of Columbia

District of Columbia officials stated, due to the large volume of UI claims submitted during the pandemic, resources were focused on processing claims. According to agency officials, the District's PUA Unit did not begin identifying potentially fraudulent claims and referring to the Benefit Payment Control Branch for further investigation until September 2021.

Florida

Florida officials stated the SWA was not able to report FPUC fraudulent overpayments on its ETA 227 reports because it first had to integrate the program into its UI benefits system. According to officials, in January 2022, Florida completed the system integration; however, it has not yet reported any FPUC fraudulent overpayments. In addition, Florida officials stated the SWA did not report PUA fraudulent overpayments due to strained staffing resources. The staffing limitations required the SWA to reassign staff from other departments to manage the increased number of claims and perform system updates to implement pandemic federal programs.

Illinois

According to Illinois officials, insufficient staffing led the SWA to report zero PEUC and PUA fraudulent overpayments on its ETA 227 and ETA 902P reports, respectively. Officials stated limited staffing made it challenging to review the large volume of data received related to imposter claims during the pandemic. Further, Illinois officials stated staff had to manually review IDH data to detect fraudulent claims, which delayed the reporting of fraudulent overpayments.

Iowa

Iowa officials stated the SWA reported zero FPUC and PEUC fraudulent overpayments on its ETA 227 reports and zero PUA overpayments on its

ETA 902P reports due to delays attributed to modifying its mainframe and overpayment database system. In addition, officials stated the database needed to accommodate the new types of overpayments generated in the new pandemic programs.

Texas

Texas officials stated the SWA experienced IT resource constraints because the same IT resources used to program CARES Act payments were also needed to program establishment of FPUC overpayments and PEUC and PUA waivers. Therefore, according to officials, Texas prioritized its programming in the following order: claims payments, overpayments and waivers establishment, and ETA reporting.

Virgin Islands

Virgin Island officials stated delays programming FPUC and PUA claims into its UI system resulted in delays in processing applications and approving and disbursing payments. According to agency officials, this led to delays in performing the necessary cross-matches to detect and report fraudulent overpayments.

State Finality Laws May Restrict SWAs' Ability to Establish and Report Overpayments

The 10 SWAs reviewed were taking ongoing corrective actions to comply with fraudulent overpayment reporting requirements. However, many states have unemployment compensation laws, or finality laws, that limit the length of time during which they may reconsider a prior determination on a regular UI claim, thus establishing and reporting overpayments. In December 2023, ETA issued UIPL No. 05-24,³⁷ which authorized SWAs to apply state finality laws to CARES Act-funded UI claims. We are concerned that, by applying state finality laws to the pandemic-funded UI claims, states will not have an incentive to identify overpayments and fraud. The states already have a backlog of UI claims to review for establishment and reporting of fraudulent overpayments. If the period for reconsideration of those claims in the state's finality law has elapsed, the SWA may no longer review the claim to determine if the disbursement was proper or an overpayment, including a fraudulent overpayment, was made.

³⁷ UIPL No. 05-24, Application of State Finality Laws Regarding Temporary Unemployment Compensation (UC) Programs under the Coronavirus Aid, Relief, and Economic Security (CARES) Act (December 29, 2023)

CONCLUSION

The OIG has estimated at least \$191 billion (22 percent) of \$888 billion in pandemic UI benefits could have been paid improperly, with a significant portion attributable to fraud. We acknowledge ETA demonstrated a responsibility toward improving UI program integrity by: (1) transmitting the OIG's list of potentially fraudulent claimants to states, along with instructions and specific requirements for conducting investigations and due process, and (2) developing a UI Fraud Risk Profile based on risks reported by GAO and the OIG.

While these actions served to guard against fraud in the UI program, SWAs could benefit from more direction and assistance from ETA to identify and address suspected fraudulent activity. This is even more critical when federal funds are at stake—such as with the key UI programs authorized by the CARES Act that provided an unprecedented level of funding and thus created an increased risk of UI program fraud and abuse. ETA needs to take a leading role in collecting UI claimant data from states, performing risk assessments, and identifying high-risk areas. This will allow the agency to be better positioned to effectively assist states with developing response activities to address ever-evolving fraud risks that threaten the integrity of the UI program.

RECOMMENDATIONS

We recommend the Assistant Secretary for Employment and Training:

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.
2. Issue guidance to states to address the issue of inconsistent reporting of overpayments involving identity fraud.
3. Identify the states that have not complied with ETA 227 reporting requirements for FPUC and PEUC and ETA 902P reporting requirements for PUA and work with the states to ensure fraudulent overpayments for the CARES Act UI programs are reported before the commencement of DOL's Fiscal Year 2025 financial statement audit.

Analysis of ETA's Comments

In response to the draft of this report, ETA generally agreed with our three recommendations to improve its oversight of states' efforts to identify fraudulent UI claims filed by multistate claimants. Specifically, ETA partially agreed with Recommendation 1 and fully agreed with Recommendations 2 and 3. ETA also expressed concerns regarding the findings of our report. We carefully reviewed ETA's response in full; our report was accurate as stated, thus the agency's response did not result in any material changes to our reported results or conclusions. Synopses of ETA's comments on our recommendations and findings along with our corresponding responses follow:

- ETA partially agreed with Recommendation 1 and stated it updates, oversees, and communicates its UI anti-fraud strategies through the UI Integrity Strategic Plan and tracks the actions to implement each strategy quarterly. However, ETA disagreed that it should evaluate the effectiveness of each strategy quarterly. ETA stated that a quarterly evaluation is not practicable because most anti-fraud strategies are unable to be implemented in a single quarter, and typically span multiple quarters and in some cases, multiple years. In addition, ETA asserted that a quarterly evaluation of a strategy—which takes 6 months or more to have an effect or has a statutorily required annual reporting cadence—would not be valuable and would be a waste of resources.

ETA stated its current practice is to assess the effectiveness of each anti-fraud strategy after the strategy is fully implemented. Given that ETA 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 requested that this recommendation be considered for closure. The implementation date for this recommendation was September 1, 2024, when ETA committed to assessing and evaluating anti-fraud strategies upon implementation and reported this process to GAO to close its open UI fraud risk management recommendations.

- We disagree that ETA's proposed corrective action fully meets the intent of our recommendation. ETA's FY 2025 UI Integrity Strategic Plan states strategies and actions are tracked and evaluated each quarter to determine their effectiveness. Therefore, ETA should adhere to the process described in the UI Integrity Strategic Plan. In addition, ETA stated its process ensures anti-fraud strategies are assessed for effectiveness upon full implementation. According to

the FY 2023 UI Integrity Strategic Plan, these anti-fraud strategies and processes for assessing these strategies have been in place since October 2022. As of July 17, 2025, these strategies had been in place for 31 months, which should be sufficient time to fully implement and subsequently assess for effectiveness. However, ETA was unable to provide such written assessments upon request.

- ETA agreed with Recommendation 2 and stated it will issue additional guidance to address inconsistent reporting of overpayments involving identity fraud.
 - We determined that ETA's proposed corrective action to issue guidance to address inconsistent reporting of overpayments involving identify fraud meets the intent of our recommendation.
- ETA agreed with Recommendation 3, but it stated this recommendation duplicated a recommendation in the OIG's May 2021 report.³⁸ Specifically, the OIG previously recommended ETA: (1) assist states with claims, overpayment, and fraud reporting to create clear and accurate information and (2) use the overpayment and fraud reporting to prioritize and assist states with fraud detection and recovery. ETA stated it has and continues to provide targeted technical assistance to states on establishing, reporting, and recovering overpayments.
 - We determined that ETA's proposed corrective action meets the intent of our recommendation. The OIG closed the previous recommendation in its May 2021 report. While Recommendation 3 may be duplicative of the recommendation in the OIG's previous report, we determined it was necessary to issue a similar recommendation because the OIG closed its previous recommendation. Further, as of June 2025, 4 years after the OIG published its report, we found the overpayment reporting issue persisted.
- ETA also provided a comment on the audit finding. The agency stated the draft report conveyed a misconception that because ETA did not require the SWAs to report the results of research or investigations regarding each individual claimant contained in the OIG's claimant data, ETA did not generally assess performance regarding UI eligibility determinations. ETA

³⁸ COVID-19: States Struggled to Implement CARES Act Unemployment Insurance Programs, Report No. 19-21-004-03-315 (May 28, 2021), available at: <https://www.oig.dol.gov/public/reports/oa/2021/19-21-004-03-315.pdf>

stated it conducted extensive monitoring of states' administration and operation of UI programs and has established program performance measures to assess the timeliness and quality of SWAs' adjudications of UI claims.

In addition, ETA disagreed with the draft report assertion 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 asserted that it never discussed with the OIG nor committed to following up with each SWA on their investigations of every claim included in the OIG's claimant data, as this was not ETA's intent.

Further, ETA stated it completed an initial study to identify opportunities for improvement of the IDH. ETA stated it would also continue to explore other opportunities, including, but not limited to, seeking Congressional authority to require states' use of certain anti-fraud tools, such as the IDH. ETA requested the OIG's support in this endeavor and any other ideas or suggestions to strengthen the UI system and further bolster the program against fraud.

- We disagree that the draft report concluded ETA did not assess performance regarding UI eligibility determinations. In the draft report, we stated without knowledge of the states' investigative results, ETA's ability to assess UI program performance is impaired, or weakened. Further, in ETA's transmission of the OIG's claimant data to the states, it informed the SWAs that it was committed to work with states to combat the sophisticated imposter fraud impacting the UI system. The transmission of claimant data with investigative instructions alone was insufficient. ETA's monitoring of the SWAs' investigative results was necessary to confirm the extent to which fraud existed in the high-risk fraud areas identified by the OIG.

The agency's response to the draft report is included in its entirety in Appendix B. We appreciate the cooperation and courtesies ETA extended to us during this audit.

Regis & Associates, PC

Regis & Associates, PC
Washington, DC
August 4, 2025

**EXHIBIT: TESTING RESULTS, FRAUDULENT AND
NONFRAUDULENT PAYMENTS FOR THE 10 SWAS**

**Table 2: Fraudulent and Nonfraudulent Payment Breakdown of Multistate
Claimants for 10 SWAs**

State	Total Claimants Sampled	Total Benefit Payments	Number of Nonfraudulent Claimants	Nonfraudulent Amounts Paid	Number of Fraudulent Claimants	Fraudulent Amounts Paid
Alabama	10	\$16,761	4	\$15,109	6	\$1,652
California	72	\$455,447	64	\$338,713	8	\$116,734
Connecticut	10	\$81,287	9	\$74,162	1	\$7,125
District of Columbia	10	\$135,151	10	\$135,151	0	\$0
Florida	11	\$57,855	2	\$13,800	9	\$44,055
Illinois	13	\$170,142	8	\$108,520	5	\$61,622
Iowa	10	\$142,622	10	\$142,622	0	\$0
New York	17	\$212,729	6	\$85,230	11	\$127,499
Texas	18	\$178,171	12	\$132,570	6	\$45,601
Virgin Islands	10	\$180,070	10	\$180,070	0	\$0
Totals	181	\$1,630,235	135	\$1,225,947	46	\$404,288

Source: Regis' analysis based on SWAs' responses to questionnaires.

Table 3: Fraudulent Payment Breakdown of Multistate Claimants and Other Fraudulent Reasons* for 10 SWAs

State	Number of Fraudulent Claimants	Fraudulent Amounts Paid	Number of Multistate Claimants	Total Paid to Multistate Claimants	Number of Claimants with Other Reasons	Total Paid to Claimants with Other Reasons
Alabama	6	\$1,652	0	\$0	6	\$1,652
California	8	\$116,734	0	\$0	8	\$116,734
Connecticut	1	\$7,125	0	\$0	1	\$7,125
District of Columbia	0	\$0	0	\$0	0	\$0
Florida	9	\$44,055	0	\$0	9	\$44,055
Illinois	5	\$61,622	2	\$41,130	3	\$20,492
Iowa	0	\$0	0	\$0	0	\$0
New York	11	\$127,499	4	\$12,694	7	\$114,805
Texas	6	\$45,601	0	\$0	6	\$45,601
Virgin Islands	0	\$0	0	\$0	0	\$0
Totals	46	\$404,288	6	\$53,824	40	\$350,464

*Other fraudulent reasons include identity fraud and bank account fraud.

Source: Regis' analysis based on SWAs' responses to questionnaires.

APPENDIX A: SCOPE AND METHODOLOGY

Scope

The audit covered the actions taken by ETA and SWAs from April 7, 2021, through September 15, 2022, to address OIG-identified, potentially fraudulent CARES Act UI claims filed by multistate claimants from March 2020 through October 2020. To ensure currency and relevance, we also reviewed updated ETA guidance and UI payment reporting activities that extended outside of the audit period.

Methodology

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 objective. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

We obtained and reviewed the CARES Act and SWAs' policies and procedures related to the UI claims process, establishment and recovery of overpayments, and identification of fraudulent or nonfraudulent payments. We submitted process review and internal control questionnaires to the 10 SWAs to gain an understanding of the SWAs' internal control tools used to investigate potentially fraudulent claimants. We also conducted walkthroughs to gain a better understanding of SWAs' internal controls that were considered significant to the audit objective.

Additionally, we obtained and reviewed ETA's UIPLs and guidance provided to the states on investigation of the potentially fraudulent multistate UI claims that the OIG identified. Furthermore, we submitted detailed testing questionnaires to 10 SWAs for each of the selected 181 UI claimants. We used the questionnaires to determine the SWAs' actions to address the OIG-identified potentially fraudulent CARES Act UI claims filed by multistate claimants. Based on each SWA's response, we categorized the claims as having been determined by the state to be either fraudulent or nonfraudulent. We also separated fraudulent claims attributable to the claimants who filed in multiple states from fraudulent claims for other reasons.

Selection of SWAs

We conducted an in-depth examination of 10 OIG-selected SWAs—Alabama, California, Connecticut, Florida, Illinois, Iowa, New York, and Texas; the District of Columbia; and the U.S. Virgin Islands. The OIG selected this sample based on the highest per capita benefits paid. The OIG calculated per capita benefits using the number of claimants flagged for multistate claims and the benefit amounts paid to these claimants. The OIG then ranked the SWAs by the per capita amount, largest to smallest, and selected the top 10 SWAs. The OIG also controlled for repetition of SWAs within other high-risk areas. Therefore, the OIG did not select the same SWAs if they appeared in a higher ranked risk area, resulting in the selection of 10 different SWAs for each of the four high-risk audits. The OIG ranked the high-risk areas from highest to lowest: multistate claimants, deceased persons' SSNs, suspicious email accounts, and federal prisoners' SSNs. In addition, we surveyed the remaining 43 SWAs and Guam³⁹ to obtain information on processes related to investigating and reporting fraudulent UI claims filed in multiple states.

Data Reliability

We conducted tests to determine the reliability of UI claimant data provided by the SWAs related to UI claims filed by multistate claimants. To assess the reliability of the data, we performed procedures to test for completeness, accuracy, consistency, and validity. This included corroborating the claimant data against the SWAs' UI systems records, including evidence of payment and other evidence provided by the SWAs. The supporting evidence was used to confirm whether the claims were paid, the determination made on whether a claim was fraudulent or nonfraudulent, and the status of any ongoing fraud investigation, et cetera.

We also provided the SWAs with questionnaires to provide responses related to each of the selected claimants. We then reviewed the responses to ensure they were consistent with the supporting documentation. When necessary, we held meetings and requested additional documentation to substantiate the validity of the claimant data and responses provided.

Internal Controls

We obtained an understanding of SWAs' internal controls, including information technology and systems, that were considered significant to the audit objective. We used our understanding of the internal controls to help design audit procedures relevant to the audit objective and not to provide assurance on the

³⁹ We sent out surveys to 43 SWAs and Guam. We excluded the 10 SWAs subject to in-depth examination. Of the 43 SWAs and Guam surveyed, 28 SWAs (64 percent) responded.

internal controls. Consequently, we did not express an opinion on ETA's or SWAs' internal controls. Our consideration of internal controls for SWAs to address the risks associated with fraudulent claims filed in multiple states would not necessarily disclose all matters that might rise to the level of significant deficiencies.

Sampling

We used sampling in this audit to evaluate ETA's and SWAs' efforts to address potentially fraudulent UI claims filed in multiple states. We extracted a random stratified sample of claimants from the selected states to determine whether corrective actions were taken. We determined the sample size using statistical sampling that factored a desired precision of 5 percent, a confidence level of 95 percent, and an expected error rate of 10 percent to select sample claimants from the population. Per statistical sample size standards, we used 10 as the sample size for states with a calculated sample size less than 10.

Criteria

- Coronavirus Aid, Relief, and Economic Security Act, Public Law 116-136 (March 27, 2020)
- Continued Assistance for Unemployed Workers Act of 2020, Subchapter VI, Section 261, Mixed Earner Unemployment Compensation (December 27, 2020)
- American Rescue Plan Act of 2021, including Title IX, Subtitle A, Crisis Support for Unemployed Workers, Public Law 117-2 (March 11, 2021)
- GAO-14-704G, Standards for Internal Control in the Federal Government (September 2014)
- GAO-15-593SP, A Framework for Managing Fraud Risks in Federal Programs (July 2015)
- GAO-22-105051, COVID-19: Additional Actions Needed to Improve Accountability and Program Effectiveness of Federal Response (October 27, 2021)
- UIPL No. 15-20, Coronavirus Aid, Relief, and Economic Security (CARES) Act of 2020—Federal Pandemic Unemployment Compensation (FPUC) Program Operating, Financial, and Reporting Instructions (April 4, 2020)
- UIPL No. 16-20, Coronavirus Aid, Relief, and Economic Security (CARES) Act of 2020—Pandemic Unemployment Assistance (PUA) Program Operating, Financial, and Reporting Instructions (April 5, 2020)
- UIPL No. 17-20, Coronavirus Aid, Relief, and Economic Security (CARES) Act of 2020—Pandemic Emergency Unemployment Compensation (PEUC) Program Operating, Financial, and Reporting Instructions (April 10, 2020)

- UIPL No. 23-20, Program Integrity for the Unemployment Insurance (UI) Program and the UI Programs Authorized by the Coronavirus Aid, Relief, and Economic Security (CARES) Act of 2020 - Federal Pandemic Unemployment Compensation (FPUC), Pandemic Unemployment Assistance (PUA), and Pandemic Emergency Unemployment Compensation (PEUC) Programs (May 11, 2020)
- UIPL No. 16-21, Identity Verification for Unemployment Insurance (UI) Claims (April 13, 2021)
- UIPL No. 20-21, Change 1, Additional State Instructions for Processing Waivers of Recovery of Overpayments under the Coronavirus Aid, Relief, and Economic Security (CARES) Act, as Amended (February 7, 2022)
- UIPL No. 28-20, Change 4, Support for States to Resolve Outstanding Items from the Expired Coronavirus Aid, Relief, and Economic Security (CARES) Act Unemployment Compensation (UC) Programs, Including Additional Funding to Assist States with Reporting and Detection and Recovery of Overpayments (July 22, 2022)
- UIPL No. 05-24, Application of State Finality Laws Regarding Temporary Unemployment Compensation (UC) Programs under the Coronavirus Aid, Relief, and Economic Security (CARES) Act (December 29, 2023)
- Training and Employment Notice No. 32-23, Unemployment Insurance (UI) Fraud Risk Management Resources (June 27, 2024)

Prior Relevant Coverage

During the last 4 years, the OIG has issued 8 reports of significant relevance to the subject of this report, as follows:

1. Alert Memorandum: The Employment and Training Administration (ETA) Needs to Ensure State Workforce Agencies (SWA) Implement Effective Unemployment Insurance Program Fraud Controls for High-Risk Areas, Report No. 19-21-002-03-315 (February 22, 2021), available at: <https://www.oig.dol.gov/public/reports/oa/2021/19-21-002-03-315.pdf>;
2. COVID-19: States Struggled to Implement CARES Act Unemployment Insurance Programs, Report No. 19-21-004-03-315 (May 28, 2021), available at: <https://www.oig.dol.gov/public/reports/oa/2021/19-21-004-03-315.pdf>;
3. Alert Memorandum: The Employment and Training Administration Needs to Issue Guidance to Ensure State Workforce Agencies Provide Requested Unemployment Insurance Data to the Office of Inspector General, Report No. 19-21-005-03-315 (June 16, 2021), available at: <https://www.oig.dol.gov/public/reports/oa/2021/19-21-005-03-315.pdf>;

4. Alert Memorandum: The Employment and Training Administration Needs to Ensure States Workforce Agencies Report Activities Related to CARES Act Unemployment Insurance Programs, Report No. 19-22-004-03-315 (August 2, 2022), available at:
<https://www.oig.dol.gov/public/reports/oa/2022/19-22-004-03-315.pdf>;
5. Alert Memorandum: Potentially Fraudulent Unemployment Insurance Payments in High-Risk Areas Increased to \$45.6 Billion, Report No. 19-22-005-03-315 (September 21, 2022), available at
<https://www.oig.dol.gov/public/reports/oa/2022/19-22-005-03-315.pdf>;
6. COVID-19: ETA and States Did Not Protect Pandemic-Related UI Funds from Improper Payments Including Fraud or from Payment Delays, Report No. 19-22-006-03-315 (September 30, 2022), available at:
<https://www.oig.dol.gov/public/reports/oa/2022/19-22-006-03-315.pdf>;
7. COVID-19: ETA Can Improve its Oversight to Ensure Integrity over CARES Act UI Programs, Report No. 19-23-011-03-315 (September 22, 2023), available at:
<https://www.oig.dol.gov/public/reports/oa/2023/19-23-011-03-315.pdf>; and
8. Alert Memorandum: ETA Needs to Incorporate Data Analytics Capability to Improve Oversight of the Unemployment Insurance Program, Report No. 19-23-012-03-315 (September 25, 2023), available at:
<https://www.oig.dol.gov/public/reports/oa/2023/19-23-012-03-315.pdf>.


APPENDIX B: AGENCY'S RESPONSE TO THE REPORT

The agency's response to our draft report follows.



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>.

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