

U.S. Department of Labor

Office of Inspector General—Office of Audit

REPORT TO THE EMPLOYMENT AND TRAINING ADMINISTRATION



COVID-19: ETA NEEDS TO IMPROVE ITS OVERSIGHT OF STATES' EFFORTS TO IDENTIFY UI FRAUD USING SUSPICIOUS EMAIL ACCOUNTS

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

This report was prepared by Regis & Associates, P.C. (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. Nicolas".

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

**DATE ISSUED: SEPTEMBER 16, 2025
REPORT NUMBER: 19-25-007-03-315**



BRIEFLY...

COVID-19: ETA Needs to Improve Its Oversight of States' Efforts to Identify UI Fraud Using Suspicious Email Accounts

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; claimants using suspicious email accounts—\$16.3 billion—was the third 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 third in the series. Specifically, for claimants using suspicious email accounts, we contracted with Regis & Associates, P.C. (Regis) to answer the following question:

To what extent have ETA and state workforce agencies (SWA) addressed potentially fraudulent CARES Act UI claims filed using suspicious email accounts?

Read the Full Report

For more information, go to:
<https://www.oig.dol.gov/public/reports/oa/2025/19-25-007-03-315.pdf>.

What We Found

Regis found the 10 SWAs selected for testing confirmed some claimants filed fraudulent UI claims using suspicious email accounts. However, ETA took limited action to ensure states properly addressed the potentially fraudulent UI claims. 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 168 claimants that filed potentially fraudulent UI claims across 10 SWAs for Regis to test. Regis determined \$591,045 in UI benefits were paid, and the states confirmed \$83,376 (14 percent) was fraudulent.

What We Recommended

Regis did not make any new recommendations in this report. To address the issues identified in this report and improve ETA's oversight of states' efforts to identify fraudulent UI claims, Regis made three recommendations to ETA in the first report of this series, with which ETA generally agreed. That report, including ETA's responses to the recommendations, is available at:
<https://www.oig.dol.gov/public/reports/oa/2025/19-25-004-03-315.pdf>.

TABLE OF CONTENTS

INSPECTOR GENERAL’S REPORT	1
CONTRACTOR PERFORMANCE AUDIT REPORT	5
RESULTS	6
ETA Needs to Improve Its Oversight of States’ Efforts to Identify UI Fraud Using Suspicious Email Accounts.....	7
CONCLUSION	27
RECOMMENDATIONS.....	28
Analysis of ETA’s Comments	28
EXHIBIT: TESTING RESULTS, FRAUDULENT AND NONFRAUDULENT PAYMENTS FOR THE 10 SWAS	30
APPENDIX A: SCOPE AND METHODOLOGY	32
APPENDIX B: AGENCY’S RESPONSE TO THE REPORT	37



INSPECTOR GENERAL'S REPORT

Lori Frazier Bearden
Acting Assistant Secretary
for Employment and Training
U.S. Department of Labor
200 Constitution Avenue NW
Washington, DC 20210

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 using suspicious email accounts.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-

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 Suspicious email accounts are email domains that have been associated with fraudulent activity.

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.

state 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. In addition, 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 \$16.3 billion paid against claims filed using suspicious email accounts between March 2020 and October 2020.

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 of four audits; this is the third in the series. Specifically, for UI claims filed using suspicious email accounts, we contracted with Regis to answer the following question:

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>

To what extent have ETA and SWAs addressed potentially fraudulent CARES Act UI claims filed using suspicious email accounts?

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 using suspicious email accounts from March 2020 through October 2020. Using a risk-based approach, the OIG selected 168 claimants for Regis to test from the States of Idaho, Maine, Nebraska, New Jersey, Oregon, Pennsylvania, South Carolina, South Dakota, Utah, and Virginia (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; 25 SWAs (57 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 the 10 SWAs confirmed some claimants filed fraudulent UI claims using suspicious email accounts. However, ETA took limited action to ensure states properly addressed the potentially fraudulent UI claims filed using suspicious email accounts.

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 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.

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 filing claims using suspicious email accounts and the benefit amounts paid against these claims. 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.

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 168 claimants that filed potentially fraudulent UI claims across 10 SWAs for Regis to test. Regis determined \$591,045 in UI benefits were paid, and states confirmed \$83,376 (14 percent) was fraudulent.

We appreciate the cooperation and courtesies ETA extended 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 Filed Using Suspicious Email Accounts

Lori Frazier Bearden
Acting Assistant Secretary
for Employment and Training
U.S. Department of Labor
200 Constitution Avenue NW
Washington, DC 20210

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)⁶ efforts to address potentially fraudulent unemployment insurance (UI) claims filed using suspicious email accounts.⁷

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 using suspicious email accounts?

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 using suspicious email accounts from March 2020 through October 2020. Using a risk-based approach, the OIG selected 168 claimants for us to test from the States of Idaho, Maine, Nebraska, New Jersey, Oregon, Pennsylvania, South Carolina, South Dakota, Utah, and Virginia (10 SWAs). We also reviewed the 10 SWAs' policies, processes, and results of relevant actions taken. However, we did not make

⁶ 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.

⁷ Suspicious email accounts are email domains that have been associated with fraudulent activity.

determinations of fraud or evaluate whether the states made the correct determinations. In addition, we surveyed the remaining 43 SWAs and Guam; 25 SWAs (57 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 the 10 SWAs confirmed some claimants filed fraudulent UI claims using suspicious email accounts. However, ETA took limited action to ensure states properly addressed the potentially fraudulent UI claims filed using suspicious email accounts.

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 OIG's claimant data and methodology 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
- 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 UI Fraud Using Suspicious Email Accounts

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 claimants who filed potentially fraudulent UI claims using suspicious email accounts, as identified by the OIG. ETA sent the list with investigative instructions and due process requirements. ETA officials confirmed the agency had received electronic notifications that all 53 SWAs and Guam received the email and downloaded the claimant files. However, only 8 of the 10 SWAs selected for detailed review confirmed they received their respective claimant lists from ETA's

April 2021 transmission. The remaining two SWAs (New Jersey and Virginia) could not confirm whether they received the list.

Through Unemployment Insurance Program Letter (UIPL) No. 23-20,⁸ ETA strongly recommended states use the IDH's Suspicious E-Mail Domains for the regular UI, Pandemic Unemployment Assistance (PUA), and Pandemic Emergency Unemployment Compensation (PEUC) programs. States that use the IDH's Suspicious E-Mail Domains tool receive flags for further investigation on claims that contain email domains frequently associated with fraudulent activity. However, we found Pennsylvania had not implemented the IDH Suspicious Email Domain cross-match as an internal control tool to investigate the claimant list.

ETA would likely have been aware of the issues in New Jersey, Virginia, and Pennsylvania if it had been monitoring the states' results for trends and emerging issues. 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 that they did not communicate the results of subsequent research or investigations to ETA, even though their investigations had confirmed the occurrence of fraudulent transactions. We submitted detailed testing questionnaires to the 10 SWAs for each of the selected 168 UI claimants to determine the SWAs' actions taken to address the potentially fraudulent CARES Act UI claims filed using suspicious email accounts. 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 \$591,045 in UI benefits and the states confirmed \$83,376 (14 percent) was fraudulent. This included \$61,978 (74 percent) paid against claims using suspicious email accounts and \$21,398 (26 percent) paid against claims filed for other fraudulent reasons, including identity fraud (see Exhibit, Tables 2 and 3).

⁸ 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)

In survey responses, 19 of 25 responding states⁹ (76 percent) indicated they did not report to ETA any results of research or investigations regarding the claimant list. The remaining six respondents indicated they generally report fraudulent overpayments to ETA but did not report the results of investigations specific to the claimant 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 reports¹⁰ for the Federal Pandemic Unemployment Compensation (FPUC) and PEUC programs; and
2. Monthly ETA 902P: Pandemic Unemployment Assistance Activities¹¹ 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.

⁹ During a survey, we asked 43 SWAs and Guam if they reported results of investigations to ETA; 25 SWAs responded.

¹⁰ 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.

¹¹ 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 report¹² that there was a significant increase in fraudulent activity in the UI program. In addition, ETA subsequently provided the OIG's list of claimants to the 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 using suspicious email accounts 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 2021,¹³ 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 1). 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.

¹² 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>

¹³ 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 1: 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 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.¹⁴

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 the 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.

¹⁴ In some cases, fraud perpetrators have stolen inmates’ personally identifiable information to apply for and receive UI benefits.

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 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.¹⁵ 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.¹⁶ 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

¹⁵ 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)

¹⁶ 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>

its own data analytics and risk assessments, (2) identify high-risk areas, and (3) update the UI Fraud Risk Profile.

In a September 2023 OIG report,¹⁷ 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 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,¹⁸ including the IDH. As an alternative, ETA stated it would leverage ongoing investments in the UI Integrity Center's IDH and work with the 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 SWAs¹⁹ used IDH services to some degree. The OIG's recommendations remained unimplemented as of September 4, 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 Suspicious Email Domain cross-match, to validate UI claims and uncover suspicious or fraudulent characteristics. We found 9 of the 10 SWAs (90 percent) responded they used the IDH Suspicious Email Domain cross-match to identify UI claims filed using suspicious email accounts. These responses align with the survey responses where 19 of 25 respondents (76 percent) stated they used the IDH Suspicious

¹⁷ 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>

¹⁸ 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.

¹⁹ Guam does not have an IDH agreement.

Email Domain cross-match. However, ETA did not ensure the IDH cross-match was effective in assisting states with detecting fraud.

According to NASWA's data, claims filed using suspicious email accounts from March 2020 through October 2020 were flagged on 291,844 occasions. 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 using suspicious email accounts.

In a previous audit report,²⁰ 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 study²¹ 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

²⁰ 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>

²¹ 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 outputs²² 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,²³ 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 inventions 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 September 4, 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. Three of the 10 SWAs (Maine, Pennsylvania, and Virginia) did not establish nor report overpayments related to imposter claimants unless an investigation subsequently

²² Inputs are the number of claims submitted to the IDH, and outputs are the number of claims flagged by the IDH.

²³ 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?
Maine	No	No
Pennsylvania	No	No
Virginia	No	No
Idaho	Yes	Yes
Nebraska	Yes	Yes
New Jersey	Yes	Yes
Oregon	Yes	Yes
South Carolina	Yes	Yes
South Dakota	Yes	Yes
Utah	Yes	Yes

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

According to Maine, Pennsylvania, and Virginia 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.

According to the Maine SWA, since it could not establish overpayments against identity fraud victims, it was awaiting additional guidance from ETA on how to establish imposter fraud overpayments. In April 2021, ETA issued guidance in UIPL No. 16-21.²⁴ that instructed states to take precautions to protect the rights of and mitigate negative consequences to identity fraud victims. Maine officials stated the UIPL No. 16-21 guidance led to many questions; however, the officials were unable to provide us with specific questions or concerns regarding the

²⁴ UIPL No. 16-21, Identity Verification for Unemployment Insurance (UI) Claims (April 13, 2021)

guidance. Based on our review of UIPL No. 16-21, we determined the guidance sufficiently provided instructions for states to establish and report fraudulent overpayments without penalizing the victim.

Further, the Pennsylvania and Virginia SWAs also initially lacked a process for establishing and reporting fraudulent overpayments disbursed to imposters; however, these SWAs did not respond that there was a lack of ETA guidance on the process.

The Pennsylvania officials stated, in May 2024, the SWA began assigning pseudo accounts for overpayments made to imposters. Further, the officials stated the Pennsylvania SWA implemented a process to establish these overpayments on the ETA 227 and 902P reports. However, as of June 26, 2025, Pennsylvania officials did not have a process for reporting these overpayments.

The Virginia SWA officials indicated it was working on implementing a system to assign pseudo accounts to the imposter claims, which would enable the SWA to establish overpayments, and subsequently report them on the ETA 227 and 902P reports. According to Virginia officials, they did not have an anticipated implementation date.

Since April 2020, UIPL Nos. 15-20,²⁵ 16-20,²⁶ and 17-20²⁷ 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

²⁵ 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)

²⁶ 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)

²⁷ 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)

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 three SWAs reported zero fraudulent overpayments on the quarterly ETA 227 reports and one SWA did not submit the reports:

- Maine reported zero FPUC fraudulent overpayments for the four quarters ending June 30, 2020, through March 31, 2021;
- Oregon reported zero FPUC fraudulent overpayments for the quarter ending June 30, 2020;
- Pennsylvania reported zero FPUC fraudulent overpayments for the four quarters ending June 30, 2020, through March 31, 2021; and
- New Jersey did not submit ETA 227 reports for the 10 quarters ending June 30, 2020, through September 30, 2022.

For PEUC, the following seven SWAs reported zero fraudulent overpayments on the quarterly ETA 227 reports and one SWA did not submit the reports:

- Maine reported zero PEUC fraudulent overpayments for the three quarters ending June 30, 2020, through December 31, 2020;
- Nebraska reported zero PEUC fraudulent overpayments for the two quarters ending June 30, 2020, and March 31, 2022.
- Oregon reported zero PEUC fraudulent overpayments for the quarter ending June 30, 2020;
- Pennsylvania reported zero PEUC fraudulent overpayments for the quarter ending June 30, 2020;
- South Dakota reported zero PEUC fraudulent overpayments for the three quarters ending June 30, 2020, September 30, 2020, and September 30, 2022;
- Utah reported zero PEUC fraudulent overpayments for the quarter ending June 30, 2020;

- Virginia reported zero PEUC fraudulent overpayments for the quarter ending June 30, 2020; and
- New Jersey did not submit ETA 227 reports for the 10 quarters ending June 30, 2020, through September 30, 2022.

For PUA, all 10 SWAs reported zero fraudulent overpayments on the monthly ETA 902P reports as follows:²⁸

- Idaho reported zero PUA fraudulent overpayments for the 2 months ending April 2020 and May 2020;
- Maine reported zero PUA fraudulent overpayments for the 19 months ending April 2020 through July 2021, October 2021, January 2022, and February 2022;
- Nebraska reported zero PUA fraudulent overpayments for the 6 months ending April 2020, May 2020, November 2021, December 2021, March 2022, and September 2022;
- New Jersey reported zero PUA fraudulent overpayments for the 28 months ending April 2020 through July 2021, September 2021, and November 2021 through September 2022;
- Oregon reported zero PUA fraudulent overpayments for the 4 months ending April 2020 through August 2020;
- Pennsylvania reported zero PUA fraudulent overpayments for the 7 months ending April 2020 through September 2020, and December 2020;
- South Carolina reported zero PUA fraudulent overpayments for the 3 months ending April 2020, May 2020, and August 2021;
- South Dakota reported zero PUA fraudulent overpayments for the 10 months ending April 2020 through June 2020, July 2021, November 2021, December 2021, April 2022, May 2022, July 2022, and August 2022;

²⁸ 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.

- Utah reported zero PUA fraudulent overpayments for the 9 months ending April 2020 through July 2020, September 2020, and June 2022 through September 2022; and
- Virginia reported zero PUA fraudulent overpayments for the month ending February 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 2021,²⁹ the OIG recommended ETA assist states with claims, overpayments, and fraud reports to create clear and accurate information. In August 2022,³⁰ 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,³¹ and (3) conducted state-specific technical assistance.

Also, 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.

As of February 2025, more than 2 years since the OIG's August 2022 recommendation, 1 of the 10 SWAs (New Jersey) is still establishing and reporting fraudulent overpayments for the pandemic UI programs. New Jersey officials stated reporting fraudulent overpayments will remain an issue until they implement a modernized IT system. The officials did not have an anticipated

²⁹ 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>

³⁰ 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>

³¹ 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.

completion date for reporting fraudulent overpayments for FPUC, PEUC, and PUA.

We commend ETA for continuing to work with the New Jersey SWA 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 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' Social Security numbers (SSN), 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 the SWAs to protect identity fraud victims and ensure the owners of SSNs are not held responsible. Specifically, UIPL No. 16-21 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;
- 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 1,³² 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 challenges, staffing challenges, or data entry errors, we found 7 of the 10 SWAs experienced difficulties that led them to report zero fraudulent overpayments for the FPUC, PEUC, or PUA programs, as follows:

Idaho

Idaho officials stated no PUA fraudulent overpayments were established due to the program being new and staff being reassigned to assist with the large influx of benefit payments.

Maine

Maine officials stated the SWA's IT system had issues tracking FPUC overpayments to the underlying weekly program entitlements for quarters ending June 30, 2020, through March 31, 2021. According to Maine officials, as of October 2024, the issue was resolved and amended reports were submitted to ETA. In addition, Maine officials stated that, due to the unprecedented volume of incoming claims, the SWA experienced staffing challenges that led to reassigning its investigators to process claims. Therefore, Maine did not have sufficient investigator resources to identify, establish, and report PUA overpayments.

Nebraska

Nebraska officials stated fraud investigations were deferred as they focused resources on processing the increased UI claims. The agency officials stated Nebraska retroactively reviewed claims for zero PUA overpayments and they were reported in subsequent reports.

³² 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)

New Jersey

New Jersey officials stated the SWA's antiquated UI IT system was unable to compile accurate data for the FPUC, PEUC, and PUA programs. The officials stated New Jersey is in the process of modernizing its system and anticipates full completion by late Calendar Year 2026.

Oregon

Oregon officials stated the SWA's IT system was not programmed to establish and report FPUC and PUA overpayments from April 2020 through August 2020. State officials indicated the CARES Act programs were new and had different laws, rules, and processes, which contributed to the delay in programming IT system requirements. This issue was resolved in August 2020 and Oregon reported overpayments on the ETA 227 and 902P reports beginning the quarter and month ending September 30, 2020.

Pennsylvania

Pennsylvania officials stated the SWA had to reassign staff to process the large increase in claims and this resulted in insufficient program integrity staff to establish and report FPUC, PEUC, and PUA fraudulent overpayments. In addition, Pennsylvania officials stated IT system limitations resulted in the SWA reporting zero FPUC fraudulent overpayments.

South Carolina

South Carolina officials stated they did not establish PUA fraudulent overpayments in May 2020. In addition, the officials stated there was likely an isolated data entry error that resulted in the SWA reporting zero PUA fraudulent overpayments in August 2021. As a result of our inquiry, South Carolina officials performed a subsequent review and stated they adjudicated 61 PUA fraud cases and established \$69,169 in fraudulent overpayments.

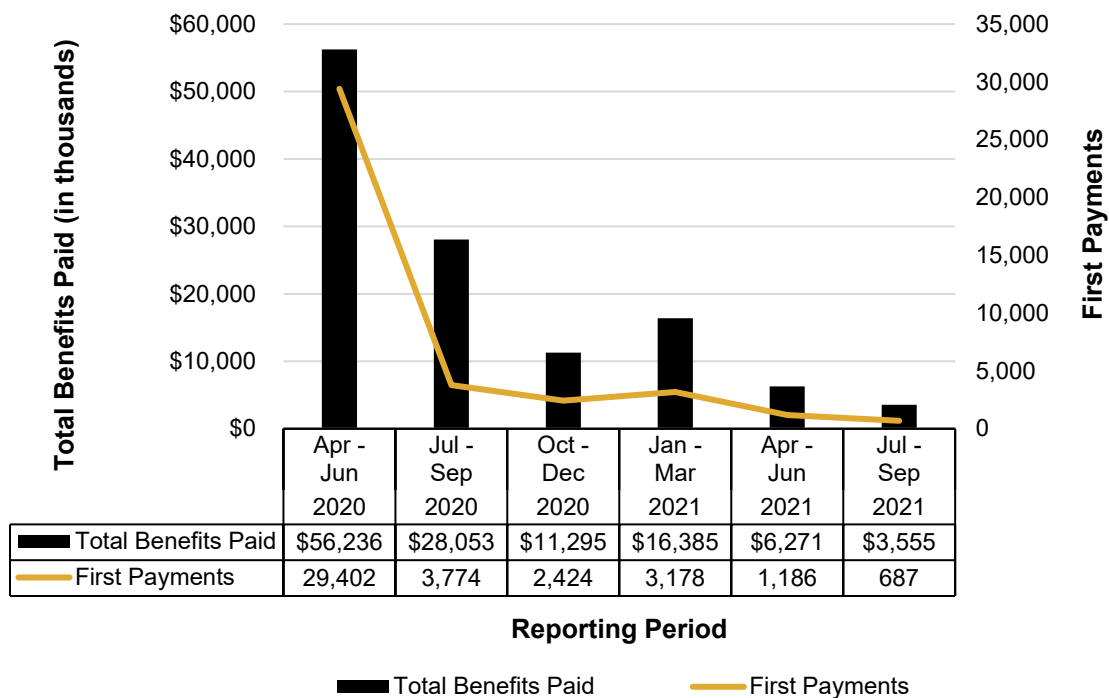
Three SWAs Responded with No Reporting Issues

Two SWAs (South Dakota and Utah) responded that they did not detect fraudulent overpayments in the earlier quarters; therefore, they did not establish or report any fraudulent PEUC and PUA overpayments. However, considering the high UI fraud risks associated with the largest percentage of initial payments and benefits being disbursed from April 2020 through September 2020, it is unlikely that there were no fraudulent overpayments disbursed by the two SWAs during that period. In addition, one SWA (Virginia) responded that there was

insufficient time to investigate, establish, and report PEUC fraudulent overpayments.

South Dakota officials stated the SWA did not detect PEUC fraudulent overpayments for three quarters and PUA fraudulent overpayments for 10 months. South Dakota disbursed 40,651 initial payments totaling \$121.8 million during the pandemic program eligibility period (April 2020 through September 2021). From April 2020 through September 2020, South Dakota disbursed 33,176 initial payments (82 percent) totaling \$84.3 million (69 percent) (see Figure 2).

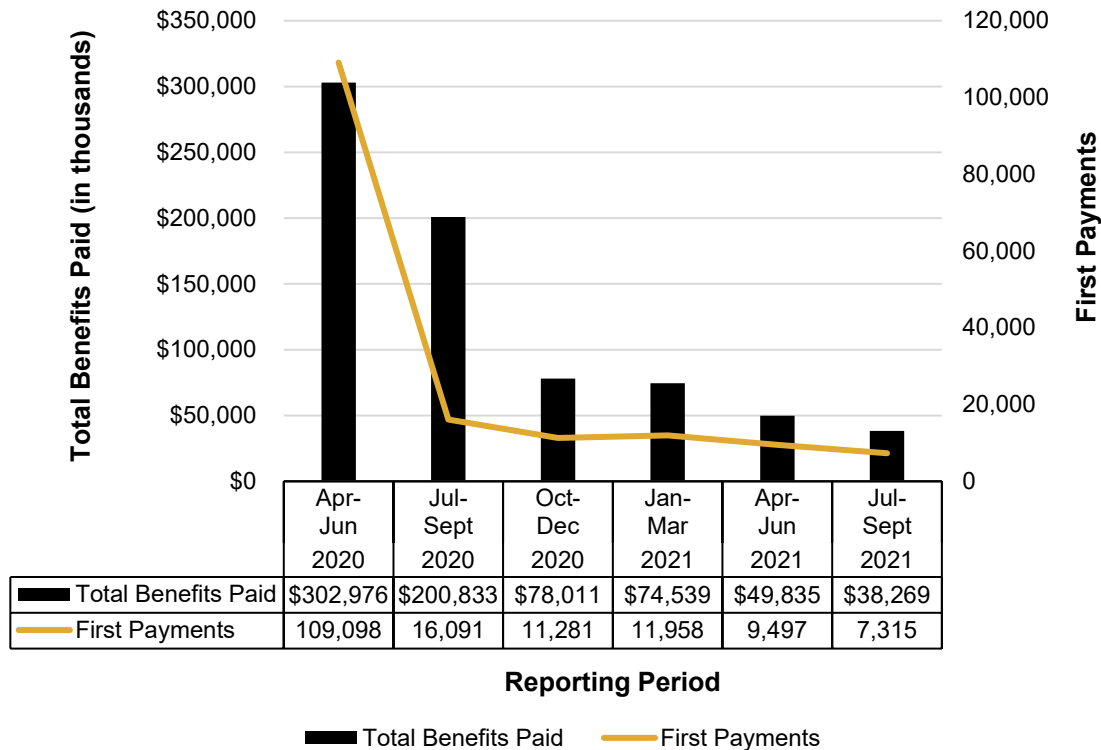
Figure 2: South Dakota's First Benefit Payments, April 2020 through September 2021



Source: Analysis using ETA monthly program and financial data

Utah officials stated the SWA did not establish PEUC fraudulent overpayments for 3 months and PUA fraudulent overpayments for 9 months. Utah disbursed 165,240 initial payments totaling \$744.5 million during the pandemic program eligibility period (April 2020 through September 2021). From April 2020 through September 2020, Utah disbursed 125,189 initial payments (76 percent) totaling \$503.8 million (68 percent). See Figure 3 below.

**Figure 3: Utah's First Benefit Payments,
April 2020 through September 2021**



Source: Analysis using ETA monthly program and financial data

Virginia officials stated the first payable week for PEUC was April 4, 2020. Therefore, the officials stated there was insufficient time to pay UI benefits and establish an overpayment within an 11-week period, which would have ended June 30, 2020. In addition, Virginia officials stated reporting overpayments is based on when overpayments are established and not when the weeks' benefits were actually paid. We agree that overpayments are reported when they are established; however, Virginia officials did not provide any evidence to support their processes for establishing PEUC fraudulent overpayments would take more than 3 months. In addition, considering some SWAs did report fraudulent overpayments for the quarter ending June 30, 2020, we determined that it would have been reasonable for Virginia to establish and report fraudulent overpayments for the quarter ending June 30, 2020.

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

The 10 SWAs reviewed were taking 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. 05-24,³³ which authorized SWAs to apply state finality laws to CARES Act-funded UI benefits.

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 backlogs 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 if an overpayment, including a fraudulent overpayment, was made.

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 claimants³⁴ 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 the OIG and recommendations made by GAO.

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 would 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.

³³ 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)

³⁴ Potentially fraudulent claimants refer to the SSNs associated with potentially fraudulent UI claims.

RECOMMENDATIONS

We did not make any new recommendations in this report. To address the issues identified in this report and improve ETA's oversight of states' efforts to identify fraudulent UI claims, we made Recommendations 1 through 3 to ETA in the series' first report, titled COVID-19: ETA Needs to Improve Its Oversight of States' Efforts to Identify Multistate UI Fraud.³⁵

Analysis of ETA's Comments

In response to the draft of this report, ETA provided detail that, in its view, clarified content within the report. We carefully reviewed ETA's response in full. Our report was accurate as stated; thus, while we made minor clarifying edits to the final report, the agency's response did not result in any material changes to our reported results or conclusions. Synopses of ETA's key comments on our finding follow:

- ETA stated the draft report noted that ETA did not require the SWAs to report the results of their investigations and actions regarding the OIG's claimant data. However, ETA stated it conducted extensive monitoring of states' administration and operation of UI programs as part of its oversight responsibilities. ETA also stated it had established UI program performance measures to assess the timeliness and quality of SWAs' adjudications of UI claims. Specifically, ETA stated it analyzed states' aggregate data on the timeliness and quality of UI eligibility determinations and oversaw quality reviews of adjudication determinations.

In addition, ETA stated the draft report asserted that ETA's decision not to monitor the results of SWAs' research and investigations of the referred potentially fraudulent claims was insufficient for its collaborative effort to combat imposter fraud expressed to the SWAs. However, ETA asserted it was not its intent to follow up with each SWA on their investigations of every claim included in the OIG's claimant data. ETA stated it engaged in program direction and oversight by providing guidance, funding, and resources to support SWAs in their efforts to combat imposter fraud.

Further, ETA stated it had limited statutory authority to require states to use certain fraud prevention tools such as IDH, but would continue to

³⁵ COVID-19: ETA Needs to Improve Its Oversight of States' Efforts to Identify Multistate UI Fraud, Report No. 19-25-004-03-315 (August 4, 2025), available at: <https://www.oig.dol.gov/public/reports/oa/2025/19-25-004-03-315.pdf>

explore additional opportunities, including, but not limited to, seeking Congressional action. ETA requested the OIG's ongoing support in this endeavor and welcomed more discussions with the OIG regarding specific strategies and actions to strengthen the UI system and further bolster fraud prevention in the program. Finally, ETA stated it will take action to address the recommendations included in the first report in this series.

- Without knowledge of the states' investigative results, ETA's ability to assess UI program performance was impaired. Further, in ETA's transmission of the OIG's claimant data to the states, it informed the SWAs that it was committed to working 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 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, P.C.
Washington, DC
September 16, 2025

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

**Table 2: Fraudulent and Nonfraudulent Payment Breakdown of Suspicious
Email Account Claimants for 10 SWAs**

State	Total Claimants Sampled	Total Benefit Payments	Number of Nonfraudulent Claimants ³⁶	Nonfraudulent Amounts Paid	Number of Fraudulent Claimants ³⁷	Fraudulent Amounts Paid
Idaho	10	\$23,781	6	\$23,781	4	\$0
Maine	10	\$33,520	1	\$1,632	9	\$31,888
Nebraska	10	\$3,940	3	\$3,940	7	\$0
New Jersey ³⁸	19	\$7,432	1	\$6,006	18	\$1,426
Oregon	10	\$164,622	10	\$164,622	0	\$0
Pennsylvania	38	\$175,288	10	\$143,388	28	\$31,900
South Carolina	10	\$46,915	9	\$46,915	1	\$0
South Dakota	10	\$37,005	5	\$37,005	5	\$0
Utah	10	\$0	2	\$0	8	\$0
Virginia	41	\$98,542	15	\$80,380	26	\$18,162
Totals	168	\$591,045	62	\$507,669	106	\$83,376

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

³⁶ Nonfraudulent claimants refers to the sampled SSNs that the SWAs determined were not associated with fraudulent UI claims. Some nonfraudulent claimants may not have received payment due to eligibility issues.

³⁷ Fraudulent claimants refers to the sampled SSNs that the SWAs determined were associated with fraudulent UI claims.

³⁸ The original sample for the New Jersey SWA consisted of 32 claimants. However, despite initiating the application process, 13 claimants did not file claims during the audit period. As a result, our audit procedures were performed on the remaining 19 sampled claimants whose data is presented above.

Table 3: Fraudulent Payment Breakdown of Suspicious Email Account Claimants and Other Fraudulent Reasons³⁹ for 10 SWAs

State	Number of Fraudulent Claimants ⁴⁰	Fraudulent Amounts Paid	Number of Suspicious Email Account Claimants	Total Paid to Suspicious Email Account Claimants	Number of Claimants with Other Reasons	Total Paid to Claimants with Other Reasons
Idaho	4	\$0	3	\$0	1	\$0
Maine	9	\$31,888	9	\$31,888	0	\$0
Nebraska	7	\$0	0	\$0	7	\$0
New Jersey	18	\$1,426	10	\$0	8	\$1,426
Oregon	0	\$0	0	\$0	0	\$0
Pennsylvania	28	\$31,900	4	\$12,560	24	\$19,340
South Carolina	1	\$0	0	\$0	1	\$0
South Dakota	5	\$0	2	\$0	3	\$0
Utah	8	\$0	0	\$0	8	\$0
Virginia	26	\$18,162	13	\$17,530	13	\$632
Total	106	\$83,376	41	\$61,978	65	\$21,398

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

³⁹ Other fraudulent reasons include deceased individuals, multistate claimants, out-of-state wages, identity fraud, and suspicious banking information.

⁴⁰ Fraudulent claimants refers to the sampled SSNs that the SWAs determined were associated with fraudulent UI claims.

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 using suspicious email accounts 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 claims filed using suspicious email accounts that the OIG identified. Furthermore, we submitted detailed testing questionnaires to 10 SWAs for each of the selected 168 UI claimants.⁴¹ We used the questionnaires to determine the SWAs' actions to address the OIG-identified potentially fraudulent CARES Act UI claims filed by claimants using suspicious email accounts. Based on each SWA's response, we categorized the claims as having been determined by the state to be either

⁴¹ The OIG originally selected a sample of 181 claimants. However, 13 claimants from New Jersey were purged from its UI system due to no claims being filed. This resulted in a total of 168 claimants being tested. The 13 claimants from New Jersey initiated the application process; however, they did not follow through with submitting claims.

fraudulent or nonfraudulent. We also separated fraudulent claims attributable to the claimants who filed using suspicious email accounts from fraudulent claims for other reasons.

Selection of SWAs

We conducted an in-depth examination of 10 OIG-selected SWAs—Idaho, Maine, Nebraska, New Jersey, Oregon, Pennsylvania, South Carolina, South Dakota, Utah, and Virginia. 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 filing claims using suspicious email accounts 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 Guam⁴² to obtain information on processes related to investigating and reporting fraudulent UI claims filed using suspicious email accounts.

Data Reliability

We conducted tests to determine the reliability of UI claimant data provided by the SWAs related to UI claims filed using suspicious email accounts. 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.

⁴² 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, 25 SWAs (57 percent) responded.

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 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 using suspicious email accounts 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 using suspicious email accounts. 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-15-105051, COVID-19: Additional Actions Needed to Improve Accountability and Program Effectiveness of Federal Response (October 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. 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 10 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>;
9. COVID-19: ETA Needs to Improve Its Oversight of States' Efforts to Identify Multistate UI Fraud, Report No. 19-25-004-03-315 (August 4, 2025), available at: <https://www.oig.dol.gov/public/reports/oa/2025/19-25-004-03-315.pdf>;
10. COVID-19: ETA Needs to Improve Its Oversight of States' Efforts to Identify UI Fraud Using Deceased Persons' Social Security Numbers, Report No. 19-25-005-03-315 (August 15, 2025), available at: <https://www.oig.dol.gov/public/reports/oa/2025/19-25-005-03-315.pdf>


APPENDIX B: AGENCY'S RESPONSE TO THE REPORT

The agency's response to the draft report follows.



August 27, 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 UI Fraud Using Suspicious Email Accounts*, 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.

This draft report examined the extent to which ETA and State Workforce Agencies (SWA) addressed potentially fraudulent Coronavirus Aid, Relief, and Economic Security (CARES) Act claims filed using suspicious email accounts. The draft report does not make any new recommendations.

ETA acknowledges that continued work is needed to reduce fraud, waste, and abuse in the unemployment insurance (UI) program. To this end, ETA has invested in the UI Integrity Center's Integrity Data Hub (IDH) and dedicated resources to make significant progress, incorporating additional data sources and working with the UI Integrity Center and SWAs to re-evaluate risk scoring investigation prioritization. Most recently, DOL provided funding to the UI Integrity Center to support IDH access and use of the U.S. Department of the Treasury's Do Not Pay data sources, enhancing the IDH's operations and strengthening UI program integrity controls (see Training and Employment Notices [TEN] No. 28-23¹ and 26-24²).

ETA would like to clarify a few areas in the draft report:

- ***ETA has established UI performance measures and conducts extensive monitoring as part of its regular oversight responsibilities.*** The draft report accurately reports on page 7 that ETA provided the Office of Inspector General (OIG) files containing potentially fraudulent claims to SWAs. ETA agreed to share the OIG-analyzed claims data as potential fraud tips for the SWAs to conduct additional investigations and take appropriate actions regarding

¹ TEN No. 28-23, *Announcement of a New Data Sharing Partnership Between the U.S. Department of the Treasury's (Treasury) Bureau of the Fiscal Service (Fiscal Service) and the National Association of State Workforce Agencies' (NASWA) Unemployment Insurance (UI) Integrity Center to provide State UI Agencies Access to Do Not Pay Working System (DNP) Data Sources and Services through the UI Integrity Data Hub (IDH)*, issued May 2, 2024, <https://www.dol.gov/agencies/eta/advisories/ten-28-23>.

² TEN No. 26-24, *Announcing the Addition of New Do Not Pay (DNP) Data Sources and Services Accessible to State Unemployment Insurance (UI) Agencies through the UI Integrity Data Hub (IDH) and Upcoming Webinar*, issued May 20, 2025, <https://www.dol.gov/agencies/eta/advisories/ten-26-24>.

these claims. As noted in the draft report, ETA did not require the SWAs to report the results of their investigations and actions regarding the claims data from the OIG files on a claim-by-claim basis. However, ETA has established UI performance measures to assess the timeliness and quality of adjudications made by SWAs. ETA also conducts extensive monitoring of states' administration and operation of UI programs as part of its regular oversight responsibilities. In addition to monitoring, ETA analyzes aggregate data from states on the timeliness and quality of UI eligibility determinations and oversees quality reviews of adjudication determinations.

- ***Clarification of Expectations from this Audit.*** The draft report asserts on page 11 that ETA's decision to not require claims-level reporting of the results of SWAs' investigations and actions on the referred potentially fraudulent claims was insufficient for its collaborative effort to combat imposter fraud expressed to the SWAs. However, this was not the intent when ETA agreed to share the OIG-analyzed claims data with the states. ETA engaged in program direction and oversight by providing guidance, funding, and resources to support SWAs in their efforts to fight imposter fraud. When the OIG's contractor initially engaged with ETA on this audit in September 2022, they provided that "The scope of the audit will focus in-depth on actions taken by ETA and 10 selected SWAs to address potentially fraudulent CARES Act UI claims." This was further reiterated in a questionnaire sent to states in December 2022, asking what actions the SWA had taken to address such claims. ETA had expected that this audit would have explored whether the states had previously identified these claims as potentially fraudulent and had addressed them, or if such flags from the OIG resulted in identification of new actual overpayments.
- ***Clarification of Comments from the Office of the Chief Financial Officer (OCFO).*** On page 13, the draft report paraphrases and attributes comments to DOL's OCFO on challenges to mitigating risks. ETA discussed these comments with OCFO. OCFO agrees that "varying state laws that define fraud" is a recognized structural challenge. However, the statement "SWAs' inconsistent use of the IDH" is unclear; more accurate phrasing would be: "the 53 different state governments' statutory authority to use, or not use, the many services offered through the Integrity Center and IDH presents numerous challenges." Additionally, OCFO does not recognize the statement in the draft report that OCFO identified "irregular reporting of UI claims data for cross-matching" as a challenge. Whether due to misunderstanding or over paraphrasing, absent clarification, OCFO has informed ETA that it cannot confirm that this was stated.
- ***Overpayments are reported in the time period after they are investigated and established, not when the fraudulent activity occurs.*** On page 27, the draft report identified that three SWAs responded with no reporting issues. Specifically, South Dakota and Utah responded that they did not detect fraudulent overpayments in the earlier quarters; therefore, they did not establish or report certain fraudulent CARES Act overpayments. The draft report asserts that it is highly unlikely there were not fraudulent overpayments dispersed by the two SWAs (South Dakota and Utah), given the high levels of fraud risks associated with the UI program from April 2020 through September 2020. Additionally, the draft report acknowledged that Virginia responded that there was insufficient time to investigate, establish, and report certain CARES Act fraudulent overpayments.

UI overpayments are reported when they are established, not when the overpayment occurred. While there was a high likelihood that UI fraud occurred from April 2020 through September 2020, to establish an overpayment a state first has to identify the potential fraud/overpayment, conduct an investigation (such investigations are typically lengthy in cases involving identity fraud), and issue a determination. Only after all the aforementioned activity is concluded could a state have established and reported the overpayment. Therefore, it is likely that the three states did accurately report not having any CARES Act overpayment activity (including established and recovered overpayments) from April 2020 through September 2020, as many states were still in the early stages of pandemic-related UI program implementation and administration and responding to the significant increase in UI workload leading to investigation backlogs. The fraudulent overpayments, specifically related to imposters or suspicious emails, would be reportable only after they had been investigated and established—which is likely to have occurred after September 2020.

Combating fraud is a high priority for this Administration. As noted on page 16 in the draft report, ETA has completed an initial study to identify additional opportunities for improving the IDH. ETA has limited statutory authority to require states' use of certain fraud prevention tools, such as the IDH, and will continue efforts to explore additional opportunities, including, but not limited to, seeking Congressional action.

ETA requests the OIG's ongoing support to continue to prevent, detect, and fight UI fraud and welcomes further discussion with the OIG regarding specific strategies and actions to strengthen the UI system and to further bolster fraud prevention in the program. ETA will also continue to take action to address the recommendations included in the first report in this series, *COVID-19: ETA Needs to Improve Its Oversight of States' Efforts to Identify Multistate UI Fraud*.

**REPORT FRAUD, WASTE, OR ABUSE
TO THE DEPARTMENT OF LABOR**

Online

<https://www.oig.dol.gov/hotline.htm>

Telephone

(800) 347-3756 or (202) 693-6999

Fax

(202) 693-7020

Address

Office of Inspector General
U.S. Department of Labor
200 Constitution Avenue NW
Room S-5506
Washington, DC 20210