




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

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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. 28-23<sup>1</sup> and 26-24<sup>2</sup>).

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

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<sup>1</sup> 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>.

<sup>2</sup> 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*.