

EMPLOYMENT AND TRAINING ADMINISTRATION ADVISORY SYSTEM U.S. DEPARTMENT OF LABOR Washington, D.C. 20210	CLASSIFICATION UI
	CORRESPONDENCE SYMBOL OWS/DUIO
	DATE August 8, 2006

ADVISORY: UNEMPLOYMENT INSURANCE PROGRAM LETTER NO. 29-06

TO: STATE WORKFORCE AGENCIES

FROM: EMILY STOVER DeROCCO
 Assistant Secretary
 Employment and Training Administration



SUBJECT: Unemployment Insurance Funding Opportunity for Activities to Prevent and Detect Identity Theft

1. **Purpose.** To inform State Workforce Agencies (SWAs) of anticipated funds in Fiscal Year (FY) 2007 that provide the opportunity to submit supplemental budget requests (SBRs) for activities to prevent and detect cases of unemployment insurance (UI) fraud due to identity theft.
2. **References.** ET Handbook No. 336 18th Edition, UI State Quality Service Plan Planning and Reporting Guidelines, and Regional Office issuance regarding FY 2005 supplemental budget requests opportunity.
3. **Background.** In its semiannual report to Congress, the U.S. Department of Labor's (USDOL) Office of Inspector General (OIG) indicated that identity theft in the UI program is a top management challenge. The OIG expressed concern that identity theft is being perpetrated by "nontraditional organized crime groups" resulting in "more costly, complex and far reaching" fraud schemes than previously seen within the UI system. Most unemployment claims are now filed by telephone or via the Internet, making the process more efficient and access to the UI system convenient for unemployed workers. However, telephone and Internet access have also created new opportunities for fraud schemes.

In (Fiscal Years) FY 2003, 2004, and 2005, the USDOL provided a total of about \$34 million to states to implement projects and automated systems that helped to prevent and detect UI overpayments including the mitigation of identity theft. These projects included real-time access to Social Security Administration (SSA) data and data cross matches with state government agencies to verify personal information provided by claimants. The additional funds anticipated for FY 2007 will allow state UI agencies to obtain staff to target efforts

Recessions	Expiration Date August 08, 2007
------------	------------------------------------

aimed at preventing and detecting cases of identity theft without sacrificing the timeliness of proper payments.

4. FY 2007 Funds Available for Activities to Prevent and Detect Identity (ID) Theft.
In FY 2007, \$10 million has been requested by the Department to fund approximately 160 staff positions nationwide to examine and reconcile discrepancies promptly in claimants' personal identifying information. These positions are not intended to design and program data matching systems. Use of funds will be limited to staff activities such as data matching, fact-finding, and investigations to prevent and detect fraudulent overpayments related to identity theft.

5. Guidelines for the Preparation of SBRs.
To receive funds for staff, states must submit a Supplemental Budget Request (SBR) using the format contained in Attachment A. Attachment B is a list of the types of data that states are asked to collect to show what impact these resources had on preventing and detecting identity theft. Contingent upon the appropriation of the funds requested, each state will receive funds for staff positions based on the size of the state. Large states will receive 4 positions, medium size states will receive 3 positions and small states will receive 2 positions. Attachment C contains the list of state sizes. Requests for additional funding for staff will be considered and awarded based on the merits of the SBR. All states may request additional positions that will be considered based upon available funding. States requesting additional positions must ensure that their plans are viable at both the levels provided based on state size as well as with any additional staffing requested.

ET Handbook No. 336 contains instructions for completing SBRs. Requests that do not contain complete information, as requested and outlined in Attachment A, will not be funded.

In accepting funds related to these SBRs, states must agree to provide data (see Attachment B) for an assessment of the effectiveness of the identity theft prevention and detection activities they undertake with these funds. Nine states will be selected to participate in a study. The final data to be collected for the study will be provided to states under separate cover. Examples of the types of data expected to be needed are listed in Attachment B. These results will be used to prepare a report to Congress.

6. SBR Award Time Lines.
 - Proposals must be electronically submitted or postmarked and mailed by September 15, 2006, to the National Office (NO).
 - Evaluation Panel completes evaluations by October 13, 2006.
 - Grant awards made to SWAs by November 7, 2006, or within 30 days of the FY 2007, appropriation enactment whichever date is later.

7. Project Expenditure Period. All SBR funds used for non-automation activities must be obligated by December 31, 2007, and expended/liquidated within 90 days. There are no provisions allowing for an extension of the obligation period.

8. Action Required: State Administrators are requested to distribute this advisory to appropriate staff. States submitting SBRs should either electronically submit or prepare an original and three copies of each of the following:

- SBR using the format provided in Attachment A
- Completed forms SF 424 (revised 10-2005) and SF 424a as required in Handbook 336, 18th Edition.

States submitting the SBR electronically must email by September 15, 2006, to dean.nancy@dol.gov. States submitting the SBR by mail must postmark and mail their SBR by September 15, 2006 to:

USDOL/Employment and Training Administration
Office of Workforce Security/Division of UI Operations (Attn: Nancy Dean)
Room S-4231
200 Constitution Avenue NW
Washington, DC 20210

9. Inquiries. Direct questions to Nancy Dean at 202-693-3215 or dean.nancy@dol.gov .

10. Attachments.

Attachment A: Supplemental Budget Request for Identity Theft Prevention/Detection Activities

Attachment B: Examples of Data Needs for Study

Attachment C: State Size Configuration Classifications Based upon State Population

**Supplemental Budget Request for Identity Theft Prevention/Detection
Activities**

Cover Sheet

State: _____

Name of Contact: _____

Phone: _____

Email Address: _____

Total Project Cost: _____

Number of Staff Requested: _____

Staff Costs Requested: _____

Other Costs Requested: _____

State Agrees to Maintain/Collect Data Yes___ No___

Supplemental Budget Request for Identity Theft Prevention/Detection Activities

Proposals must adhere to this specific format.

1. Proposal Summary: Provide a one paragraph summary of the activities that the SBR will fund.

2. Proposed Expenditures: Provide information that applies to each category below.

a. Staff Needs. The proposal should identify one-time SWA staff needs and/or contract staff needs. Staff needs should include the type of position, the expected number of staff hours, and the projected hourly costs. All staff funded under this SBR grant must be in excess of base staff, and the SBR must state this in writing. SWAs must include this information using the following format which includes illustrative information.

Position Title	# of Hours	Cost Per Hour	Total Cost
Investigator	2080	\$30	\$62,400

If contract staff is requested, documentation must include the type of position, estimated contract staff hours, and the projected hourly costs for the contract staff.

b. Other Costs: ADP staff costs may be funded for minimal programming which can be accomplished quickly and utilized by the integrity staff funded through this SBR. Programming of large data matching systems, such as the SSA cross match, may not be funded through this grant.

Funds from this project may be used to pay for other necessary costs; proposals must explain the basis for the projected cost estimate for each item. For example, funding requests for posters to inform the public of integrity activities that staff is conducting should include an estimated cost per poster and the number of posters to be purchased. Funds under this SBR project may be used to pay for any increases in long distance telephone costs, but only for work specifically related to this initiative.

5. Project Timeline:

- Provide a planned implementation schedule identifying dates of all critical steps up to and including implementation.
- Funds must be expended by December 31, 2007; therefore, it is critical that the project be implemented quickly. Priority will be given to states that anticipate early implementation of the project.
- Selected states will submit assessment data for report to Congress 180 days following the end of Fiscal Year.

Examples of Data Needs for Study

1. Types of data matching systems used to identify potential identity theft.
2. Other (non-controllable) sources of information used to identify potential identity theft (employer, agency staff, fraud hotline, etc)
3. Number of cases referred for identity theft investigations.
4. Number of completed case investigations.
5. Number of incomplete investigations due to:
 - a. Claimant fails to respond to call in notice
 - b. Claimant fails to return phone calls
 - c. Inability to contact claimant
 - d. Incomplete claims filing (e.g., the individual hangs up during the claim filing)
6. Estimate of the number of cases of potential identity theft and overpayment amount these incomplete investigations may have prevented.
7. Number of cases investigated determined to be identity theft:
 - a. Number of cases of identity theft identified before 1st payment made
 - b. Number of case of identity theft identified after 1st payment made
 - c. Amount of overpayment detected due to identity theft
 - d. Number of cases identified as identity theft in a multi-claimant scheme or fictitious employer scheme
8. Number of cases detected and determined to be other types of fraud or non-fraud overpayments.
9. Amount of overpayment detected other than identity theft.

Attachment C

State Size Configuration Classifications Based upon State Population for FY 2006 Funds

Alabama	Medium
Alaska	Small
Arizona	Medium
Arkansas	Medium
California	Large
Colorado	Medium
Connecticut	Medium
Delaware	Small
District of Columbia	Small
Florida	Large
Georgia	Medium
Hawaii	Medium
Idaho	Medium
Illinois	Large
Indiana	Medium
Iowa	Medium
Kansas	Medium
Kentucky	Medium
Louisiana	Medium
Maine	Medium
Maryland	Medium
Massachusetts	Medium
Michigan	Large
Minnesota	Medium
Mississippi	Medium
Missouri	Medium
Montana	Small
Nebraska	Medium
Nevada	Medium
New Hampshire	Medium
New Jersey	Medium
New Mexico	Medium
New York	Large
North Carolina	Medium
North Dakota	Small
Ohio	Large
Oklahoma	Medium
Oregon	Medium
Pennsylvania	Large
Puerto Rico	Medium
Rhode Island	Small
South Carolina	Medium
South Dakota	Small
Tennessee	Medium
Texas	Large
Utah	Medium
Vermont	Small
Virgin Islands	Small
Virginia	Medium
Washington	Medium
West Virginia	Medium
Wisconsin	Medium
Wyoming	Small