

EMPLOYMENT AND TRAINING ADMINISTRATION ADVISORY SYSTEM U.S. DEPARTMENT OF LABOR Washington, D.C. 20210	CLASSIFICATION UI
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ADVISORY: UNEMPLOYMENT INSURANCE PROGRAM LETTER NO. 28-20, Change 1

TO: STATE WORKFORCE AGENCIES

**FROM: JOHN PALLASCH /s/
Assistant Secretary**

SUBJECT: Additional Funding for Identity Verification or Verification of Pandemic Unemployment Assistance (PUA) Claimants and Funding to Assist with Efforts to Prevent and Detect Fraud and Identity Theft as well as Recover Fraud Overpayments in the PUA and Pandemic Emergency Unemployment Compensation (PEUC) Programs

1. **Purpose.** To inform states regarding (i) the availability of additional funding and how to apply for the funding to cover administrative expenses and solutions that can be used to support the identity verification or validation of PUA claimants; (ii) to assist with efforts to prevent and detect fraud and imposter claims resulting from identity theft in the PUA and PEUC programs; and (iii) to recover fraud overpayments in the PUA and PEUC programs.
2. **Action Requested.** The U.S. Department of Labor’s (Department) Employment and Training Administration (ETA) requests that State Workforce Agency Administrators provide information contained in this Unemployment Insurance Program Letter (UIPL) to appropriate staff.
3. **Summary and Background.**
 - a. **Summary** – On August 31, 2020, ETA issued UIPL No. 28-20 to remind states of their roles and responsibilities in addressing fraud in the UI system and the techniques and strategies available to assist states with their fraud management operations; and provided states with \$100 million in funding to assist with efforts to prevent and detect fraud and identity theft and recover fraud overpayments in the PUA and PEUC programs using many of the tools and resources already available to states. This Change 1 to UIPL No. 28-20 informs states regarding the availability of additional funding and how to apply for funding to cover administrative expenses and solutions that can be used to support the identity verification or validation of PUA claimants; to assist with efforts to prevent and detect fraud and imposter claims resulting from identity theft in the PUA and PEUC programs; and to recover fraud overpayments in the PUA and PEUC programs. On

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December 27, 2020, the President signed the Consolidated Appropriations Act, 2021, Public Law (Pub. L. 116-260), which includes in Division N, Title II, Subtitle A, the Continued Assistance for Unemployed Workers Act of 2020 (Continued Assistance Act). For states to have an adequate system for administering the PUA program, Section 242 of the Continued Assistance Act requires that states include procedures for identity verification or validation and for timely payment, to the extent reasonable and practicable, by January 26, 2021 (30 days after the enactment of the Continued Assistance Act).

- b. Background – Since the enactment of the Coronavirus Aid, Relief, and Economic Security (CARES) Act of 2020, which created several new temporary unemployment compensation (UC) programs (including PUA and PEUC), UI fraud has increased significantly, further testing the integrity of individual state systems and the UI program as a whole. Since the unprecedented increase in claims resulting from the economic impact of the Coronavirus Disease 2019 (COVID-19) pandemic, UI programs have become a target for fraud with states experiencing a significant amount of imposter claims filed with stolen or false identities. The Unemployment Insurance Fraud Protection Guide issued by the U.S. Department of Justice on September 21, 2020, states: “Fraudsters, some of which are transnational criminal organizations, are using stolen identities of U.S. citizens to open accounts and file fraudulent claims for UI Benefits, exploiting the unprecedented expansion of these benefits provided in response to economic disruption caused by the COVID-19 pandemic.”

Addressing improper payments and fraud remains a top priority for the Department and the entire UI system. It is critical that states implement UI programs and provisions to ensure that payments are being made to eligible individuals and that states have aggressive strategies and tools in place to prevent, detect, and recover fraudulent payments, with a particular emphasis on imposter fraud by claimants using false identities.

The programs and provisions within the Continued Assistance Act, the Emergency Unemployment Insurance Stabilization and Access Act, and the CARES Act operate in tandem with the fundamental eligibility requirements of the Federal-State UI program. These requirements include that an individual file certification with respect to each week of unemployment paid and be able and available and actively seeking work where applicable, except as specifically provided for in statute. In addition, the Continued Assistance Act includes new program integrity requirements for the PUA and PEUC programs with which states must comply.

Some states remain in the midst of managing extraordinary workloads due to the effects of the spread of COVID-19. During this time, there is a heightened need for states to maintain a steadfast focus on UI functions and activities that ensure program integrity and the prevention and detection of improper payments and fraud across all programs operated within the UI system. UIPL No. 23-20, published on May 11, 2020, also discusses program integrity for the UI system.

States play a fundamental role in ensuring the integrity of the UI system. While states have been provided some flexibilities as a result of the COVID-19 pandemic, those flexibilities are generally limited to emergency temporary actions as needed to respond to the spread of COVID-19. States must ensure that individuals only receive benefits in accordance with federal and state law.

ETA strongly encourages states to utilize the tools, resources, and services of the UI Integrity Center, funded by the Department and operated in partnership with the National Association of State Workforce Agencies. One of the UI Integrity Center's key assets to support addressing fraud is the Integrity Data Hub (IDH), which includes a variety of data sets to prevent and detect fraud based on identity theft at the time of application, including an identity verification solution. ETA also encourages states to consult with the UI Integrity Center on data analytics, to prioritize IDH cross-matches and risk scoring results, and to explore other tools and solutions available through the private sector that complement the IDH. Refer to Training and Employment Notice (TEN) No. 4-20 for details.

The IDH is a secure, robust, centralized, multi-state data system that allows participating state UI agencies to submit claims for cross-matching and analysis to support the prevention and detection of improper payments, fraud, and identity theft. The IDH contains an expanded set of data sources and new functionality continues to be explored and added. Currently the IDH offers the following capabilities:

- Suspicious Actor Repository (SAR);
- Suspicious E-Mail Domains;
- Foreign IP Address Detection;
- Multi State Cross-Match (MSCM);
- Data Analytics;
- Fraud Alert System; and
- Identity Verification (IDV).

The IDH is available to participating states at no cost and is an effective tool in preventing and detecting improper payments and combatting imposter fraud and identity theft. Additionally, in UIPL No. 28-20, the Department explained its expectation that states connect to the IDH no later than March 31, 2021, and encouraged states to use their share of the funding provided through that UIPL to support IDH connection as soon as possible.

In addition to implementing the IDH's IDV solution, states are encouraged to use these funds to implement other identity verification processes/procedures or tools to complement the IDV solution. States may also use these funds for other identity verification tools, processes, or procedures available on the market to support the identity verification or validation of PUA claimants as required in the Continued Assistance Act.

Because the Pacific territories (Guam, American Samoa, the Commonwealth of the Northern Mariana Islands, the Federated States of Micronesia, the Republic of the

Marshall Islands, and the Republic of Palau) do not have access to the IDH, ETA will provide targeted technical assistance to the Pacific territories to assist with the exploration of solutions, processes, and procedures to support the identity verification or validation of PUA claimants and to identify options available to support enhanced fraud prevention and detection.

The Department's Office of the Inspector General (OIG)/Office of Investigations – Labor Racketeering and Fraud, Department of Justice, and other federal, state, and local law enforcement agencies investigate and prosecute fraud and identity theft. In addition, financial institutions and banks have ramped up their efforts to stop fraudulent payouts and detect fraudulent activity as a result of their own data analytics. It is critical for states to engage appropriate law enforcement agencies as soon as emerging and identified fraud schemes are detected, as well as to be proactive in working collaboratively with financial institutions and banks to detect fraud and recover overpayments. State Benefit Payment Control (BPC) staff or other designated state staff have the primary responsibility for these activities.

Finally, fraud detection, operations, and procedures, coupled with front-end identity verification tools, are critical in ensuring payment is made timely and only to individuals entitled to receive benefits. As discussed in UIPL Nos. 23-20 and 28-20, the Department strongly encourages states to adopt multiple strategies and techniques to validate UI claims and detect and share suspicious claim attributes between states, and consider a range of other tools available in the market when combating fraud and ensuring program integrity.

- 4. Funding for States to Address Fraud in the PUA and PEUC Programs.** Section 242 of the Continued Assistance Act requires states to have an adequate system for administering the PUA program including procedures for identity verification or validation and for timely payment, to the extent reasonable and practicable, for claims filed on or after January 26, 2021. As part of its ongoing monitoring efforts of state implementation of the CARES Act programs, ETA will ensure states have adequate procedures in place to meet this requirement.

To assist states with administrative expenses and solutions that can be used to support the identity verification of PUA claimants, and the need for states to have additional funding to support ongoing and new fraud prevention, detection, and investigation activities, the Department is providing an additional \$100 million in administrative funding targeted specifically at addressing fraud and identity theft in the PUA and PEUC programs as part of its responsibility to provide “such sums as... necessary” for administration of the CARES Act programs.

Attachment I, State Size Classifications and Funding Allocation for Identity Verification of Pandemic Unemployment Assistance (PUA) Claimants and Funding to Assist with Efforts to Prevent and Detect Fraud and Identity Theft as well as Recover Fraud Overpayments in the PUA and Pandemic Emergency Unemployment Compensation (PEUC) Programs, lists the amounts of PUA and PEUC funding for

each state provided for assistance with PUA identity verification or validation and for PUA and PEUC fraud investigation activities.

The methodology for state funding levels is based on state size.¹ For purposes of this methodology, states are assigned to three groups (Small, Medium, and Large) based on the 12-month average of UI covered employment for the four quarters in calendar year 2019 reported on the ES 202 (Employment, Wages and Contributions) report published by the Bureau of Labor Statistics. States are assigned to the size groups as follows:

- Small: covered employment under 1 million employees
- Medium: covered employment between 1 million and 2 million employees
- Large: covered employment greater than 2 million employees

a. Use of Funds. States may use the funds made available under this UIPL to cover administrative expenses and solutions that can be used to support the identity verification or validation of PUA claimants; to assist with efforts to prevent and detect fraud and imposter claims resulting from identity theft in the PUA and PEUC programs; and to recover fraud overpayments in the PUA and PEUC programs. Examples of permissible uses of these funds include but are not limited to:

- (i) Implement one or more tool(s)/strategy(ies) providing the front-end identity verification or validation of PUA claimants as required in Section 242 of the Continued Assistance Act.

States may fulfill the new requirement to verify or validate the identity of PUA claimants by implementing the IDV solution available through the UI Integrity Center's IDH or an equivalent tool and may use funds provided to cover any administrative costs associated with establishing the IDV connection. The IDH's IDV solution is provided at no cost to the states. The IDH's IDV solution provides centralized identity verification, powered by Experian's Precise ID solution. The IDV component offers states advanced fraud risk scoring to maximize front-end identity verification, enabling states to assess whether an individual is using a false, stolen, or synthetic identity.

In addition to implementing the IDH's IDV solution, states are encouraged to use these funds to implement other identity verification processes/procedures or tools to complement the IDV solution. States may also use these funds for other identity verification tools, processes, or procedures available on the market to support the identity verification or validation of PUA claimants as required in the Continued Assistance Act.

¹ The Pacific territories are included in PUA pursuant to CARES Act Section 2101(a)(5), but not in PEUC. Since the Pacific territories have relatively small populations and do not operate regular UI programs (and therefore lack data on employment), their PUA funding is based on estimated claims workloads.

(ii) Staff or contract services to conduct fraud investigations and other fraud and identity theft detection-related activities, or to implement tools to increase prevention, detection, and recovery of fraudulent improper payments in the PUA and PEUC programs. Examples of activities that these funds may be used for include, but are not limited to:

- Funding for staff to conduct fraud prevention, detection, and investigation activities.
- Accessing and utilizing the private or public data sets available through the IDH (see Section 3(b) above for IDH details). As indicated in UIPL No. 28-20, ETA expects that all states will be positioned to use the IDH data sets as soon as administratively feasible, and no later than March 31, 2021.
- Implementing data mining tools, including the use of staff or contractor services for prioritizing and managing cross-match hits, and conducting data mining activities.
- Implementing software/tools to conduct data analytics, including the use of staff or contractor services for conducting data analytics activities.

b. Application Instructions.

States are required to submit an SF-424 for each funding allotment (i.e., one SF-424 for the PUA funding and a second SF-424 for the PEUC funding). ETA encourages states to submit these forms as soon as possible, but no later than **February 15, 2021**, by electronic submission to the National Office at covid-19@dol.gov, with a copy to the appropriate ETA Regional Office.

For additional information on completing the SF-424, please refer to Attachment II, *Instructions for Completing the SF-424*. Attachment I, *State Size Classifications and Funding Allocation for Identity Verification of Pandemic Unemployment Assistance (PUA) Claimants and Funding to Assist with Efforts to Prevent and Detect Fraud and Identity Theft as well as Recover Fraud Overpayments in the PUA and Pandemic Emergency Unemployment Compensation (PEUC) Programs*, which lists the funding allotment(s) for both the PUA and PEUC programs for each state.

c. Reporting Requirements.

States will report quarterly progress on the form ETA 9178-F that will be used by ETA to track each state's progress on activities and ensure that a state's use of funds is consistent with the permissible activities outlined in section 4.a. of this UIPL. Please refer to Attachment III in UIPL No. 28-20 for instructions for completion and the timeline of submission for the ETA 9178-F.

5. Inquiries. States should direct inquiries to covid-19@dol.gov and copy the appropriate ETA Regional Office.

6. References.

- Consolidated Appropriations Act, 2021, including Division N, Title II, Subtitle A, the Continued Assistance for Unemployed Workers Act of 2020 (Pub. L. 116-260);

- Coronavirus Aid, Relief, and Economic Security (CARES) Act (Pub. L. 116-136), Title II, Subtitle A – Relief for Workers Affected by Coronavirus Act;
- Families First Coronavirus Response Act (Pub. L. 116-127), including Division D Emergency Unemployment Insurance Stabilization and Access Act of 2020 (EUISAA);
- Section 303 of the Social Security Act (42 U.S.C. 503);
- Unemployment Insurance Program Letter (UIPL) No. 9-21, *Continued Assistance for Unemployed Workers Act of 2020 (Continued Assistance Act) – Summary of Key Unemployment Insurance (UI) Provisions*, issued December 30, 2020, https://wdr.doleta.gov/directives/corr_doc.cfm?DOCN=3831;
- UIPL No. 28-20, *Addressing Fraud in the Unemployment Insurance (UI) System and Providing States with Funding to Assist with Efforts to Prevent and Detect Fraud and Identity Theft and Recover Fraud Overpayments in the Pandemic Unemployment Assistance (PUA) and Pandemic Emergency Unemployment Compensation (PEUC) Programs*, issued August 31, 2020, https://wdr.doleta.gov/directives/corr_doc.cfm?DOCN=8044;
- 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*, issued May 11, 2020, https://wdr.doleta.gov/directives/corr_doc.cfm?DOCN=4621;
- UIPL No. 16-20, *Coronavirus Aid, Relief, and Economic Security (CARES) Act of 2020 – Pandemic Unemployment Assistance (PUA) Program Operating, Financial, and Reporting Instructions*, issued April 5, 2020, https://wdr.doleta.gov/directives/corr_doc.cfm?DOCN=4628;
- UIPL No. 16-20, Change 1, *Coronavirus Aid, Relief, and Economic Security (CARES) Act of 2020 – Pandemic Unemployment Assistance (PUA) Program Reporting Instructions and Questions and Answers*, issued April 27, 2020, https://wdr.doleta.gov/directives/corr_doc.cfm?DOCN=5899;
- UIPL No. 16-20, Change 2, *Coronavirus Aid, Relief, and Economic Security (CARES) Act of 2020 - Pandemic Unemployment Assistance (PUA) Additional Questions and Answers*, issued July 21, 2020, https://wdr.doleta.gov/directives/corr_doc.cfm?DOCN=5479;
- UIPL No. 16-20, Change 3, *Coronavirus Aid, Relief, and Economic Security (CARES) Act of 2020 - Eligibility of Individuals who are Caregivers for Pandemic Unemployment Assistance (PUA) in the Context of School Systems Reopening*, issued August 27, 2020, https://wdr.doleta.gov/directives/corr_doc.cfm?DOCN=3849;
- UIPL No. 16-20, Change 4, *Continued Assistance to Unemployed Workers Act of 2020 – Pandemic Unemployment Assistance (PUA) Program: New Operating Instructions and Reporting Changes*, issued January 8, 2021, https://wdr.doleta.gov/directives/corr_doc.cfm?DOCN=6973;
- UIPL No. 01-16, *Federal Requirements to Protect Individual Rights in State Unemployment Compensation Overpayment Prevention and Recovery Procedures*, issued October 1, 2015, https://wdr.doleta.gov/directives/corr_doc.cfm?DOCN=5763;

- UIPL No. 01-16, Change 1, *Federal Requirements to Protect Claimant Rights in State Unemployment Compensation Overpayment Prevention and Recovery Procedures - Questions and Answers*, issued January 13, 2017, https://wdr.doleta.gov/directives/corr_doc.cfm?DOCN=7706;
- UIPL No. 19-11, *National Effort to Reduce Improper Payments in the Unemployment Insurance (UI) Program*, issued June 10, 2011, https://wdr.doleta.gov/directives/corr_doc.cfm?DOCN=3036;
- UIPL No. 29-05, *Memorandum of Understanding Regarding Unemployment Insurance Criminal Investigations Between the U.S. Department of Labor's Office of Inspector General and the Employment and Training Administration*, issued August 2, 2005, https://wdr.doleta.gov/directives/corr_doc.cfm?DOCN=2104;
- UIPL No. 04-01, *Payment of Compensation and Timeliness of Determinations during a Continued Claims Series*, issued October 27, 2000, https://wdr.doleta.gov/directives/corr_doc.cfm?DOCN=1746;
- TEN No. 3-20, *Unemployment Insurance (UI) Integrity Center's Integrity Data Hub (IDH) Fraud Alert System*, issued August 31, 2020, https://wdr.doleta.gov/directives/corr_doc.cfm?DOCN=5585;
- TEN No. 4-20, *Encouragement for States to Use the Integrity Data Hub (IDH) available through the Unemployment Insurance (UI) Integrity Center*, issued August 31, 2020, https://wdr.doleta.gov/directives/corr_doc.cfm?DOCN=3588; and
- Employment Security Manual, Section 7511, *The Secretary's Interpretation of Federal Law Requirements*, available at 20 C.F.R. Part 614, Appendix C, *Standard for Fraud and Overpayment Detection*.

7. Attachment(s).

- Attachment I: State Size Classifications and Funding Allocation for Identity Verification of Pandemic Unemployment Assistance (PUA) Claimants and to Assist with Efforts to Prevent and Detect Fraud and Identity Theft as well as Recover Fraud Overpayments in the PUA and Pandemic Emergency Unemployment Compensation (PEUC) Programs
- Attachment II: Instructions for Completing the SF-424