

TRAINING AND EMPLOYMENT NOTICE	NO. 3-20
	DATE August 31, 2020

TO: STATE WORKFORCE AGENCIES

FROM: JOHN PALLASCH 
Assistant Secretary

SUBJECT: Unemployment Insurance (UI) Integrity Center's Integrity Data Hub (IDH) Fraud Alert System

1. **Purpose.** To provide information on the UI Integrity Center's IDH Fraud Alert System and to strongly encourage states to use it to identify and share information on emergent fraud schemes.
2. **Action Requested.** The U.S. Department of Labor's (Department) Employment and Training Administration (ETA) requests State Workforce Administrators to provide the information in this notice to appropriate program and other state staff, and strongly reminds states to: 1) adopt and use the IDH Fraud Alert System to transmit fraud scheme information throughout the UI system; 2) designate appropriate staff to transmit and receive emergent fraud scheme information through the IDH Fraud Alert System; and 3) discontinue submitting emergent fraud scheme information via email to the ETA's Regional Offices and Office of Unemployment Insurance.
3. **Summary and Background.**
 - a. Summary – During this unprecedented time of fraud, this notice informs state UI agencies of the availability of the IDH Fraud Alert System and strongly encourages states to use this system to share emergent fraud schemes with the UI system.
 - b. Background – Addressing improper payments and fraud in the UI program is a top priority for the Department and the entire UI system. Currently, the UI system is facing historically high levels of claims in the regular UI program while simultaneously implementing and operating the newly created temporary programs authorized by the Coronavirus Aid, Relief, and Economic Security (CARES) Act of 2020. As states implement these new programs quickly while also processing an unprecedented volume of claims, the UI system is seeing historic levels of fraud and abuse. Timely communication and sharing information of existing and emergent fraud schemes among states is critical to preventing fraud and maintaining the integrity of UI programs.

Historically, the sharing of fraud schemes and state strategies to detect them, both among states and with the Department's Office of Inspector General Office of Investigations - Labor Racketeering and Fraud (OI), has supported both fraud prevention and aided in investigations and prosecution. This information has typically been communicated by the

identifying state by sending an email to the ETA Regional Office that is then forwarded to the ETA National Office for nationwide dissemination.

The previous practice of sharing fraud alerts through email lacked consistent state participation and did not allow for the real-time sharing of information across states. Additionally, the previous system limited the dissemination of fraud alerts containing Personally Identifiable Information (PII) due to confidentiality and security concerns, and thus limited state access to information vital to detect and prevent fraudulent schemes occurring in the states and/or to conduct investigations.

There is now an opportunity to formalize this process more efficiently and effectively by centralizing the function as part of the UI Integrity Center. Given the establishment of the UI Integrity Center as an integral UI system partner in supporting states work to prevent, detect, and combat fraud and the capacity it has built through the IDH, including the new Fraud Alert System, it is logical to now centralize this function as provided through the Center for the entire UI system.

This notice encourages the use of the Fraud Alert System in the UI Integrity Center's IDH as a more efficient process for states to disseminate and become aware of fraud alerts.

4. Fraud Alerts.

a. The UI Integrity Center's IDH Fraud Alert System

The UI Integrity Center has developed a set of tools and processes that greatly enhance the ability of states to identify existing and new fraud schemes and to share that information rapidly among state UI agencies. These tools were developed as part of the UI Integrity Center's broader integrated strategy to identify and provide public and private data sources for states to cross-match through the IDH. The IDH is a secure, robust, centralized, multi-state data system that allows participating state UI agencies to submit claims for cross-matching, provides fraud alerts to states, and supports data analytics on multi-state claims.

The IDH Fraud Alert System is a functional feature of the IDH that allows states to share and receive information through a secure environment on emergent fraud schemes/activities identified in the UI system. The IDH Fraud Alert System is accessible to the OI, allowing OI staff to review state-provided fraud scheme information and disseminate information as appropriate to states from their investigations.

Unlike other components of the IDH system, the Fraud Alert System is available to all states and to the OI and does not require agreements between the UI Integrity Center and a state, the UI Integrity Center and the OI, or the OI and a state.

The IDH Fraud Alert System centralizes the process for submitting fraud alerts, including those that contain PII, and replaces the current practice of disseminating this type of

information through email messages to ETA's Regional and National Offices. To assist states with the fraud alert process, the UI Integrity Center developed a tip sheet resource, *TIPS: Top Integrity Practices & Solutions* that is available on their webpage, <https://library.naswa.org/doi/10.5555/20.500.11941/3095>. The Department strongly encourages states to adopt the practice of routinely submitting fraud alerts through the IDH Fraud Alert System immediately upon identifying fraud schemes.

b. IDH Fraud Alert Process for States

ETA recommends that state UI agencies designate benefit payment control (BPC) staff or other staff that perform BPC functions to administer the fraud alert process. Designated staff can request access to the IDH Fraud Alert System capability by contacting Jerome Lord at JLord@naswa.org.

If fraudulent activity or patterns of fraudulent activity are detected in the state, the designated state staff should:

1. Create a fraud alert message within the IDH Fraud Alert System;
2. Respond to inquiries from other states regarding the information submitted;
3. Monitor the fraud alert for comments from other states; and
4. Share information about the activity on the conference calls that the UI Integrity Center conducts to discuss strategies to address UI fraud.

Upon receipt of the fraud alert, the designated state staff are expected to:

1. Review the fraud alert;
2. If needed, consult the sending state directly for any additional details; and
3. Follow their procedures for reviewing, investigating and pursuing reports of fraudulent activity, including collaborating with the OI, as needed.

c. IDH Fraud Alert Process for the UI Integrity Center

The UI Integrity Center has responsibility for the administration, operation, and maintenance of the IDH Fraud Alert System and for encouraging, instructing, and assisting states in utilization of this tool. The UI Integrity Center will routinely highlight the successes and benefits of states usage of the Fraud Alert System and continually encourage states to take full advantage of the Fraud Alert System through various methods including communicating with State UI Directors and/or other designated state staff.

When a fraud alert is reported by a state, the UI Integrity Center will perform the following steps to ensure all state UI agencies are aware of the information:

1. Encourage and assist states to create a relevant fraud alert message within the IDH Fraud Alert System;

2. Determine if there is sufficient data about the fraudulent activity to create an entry of the data into the IDH's Suspicious Actor Repository (SAR) (UI fraud data is submitted and stored in the SAR for cross-matching purposes), and if so, enter the data into SAR; and
3. Share information on fraudulent activities on the conference calls that the UI Integrity Center conducts with designated state staff.

In cases where, the UI Integrity Center detects potential fraudulent claims activity through analysis of state claims data made available through the IDH, the UI Integrity Center will:

1. Contact the appropriate state(s) to provide information regarding potentially fraudulent activity identified by the UI Integrity Center, through the state claims data analysis, and encourage further investigation;
2. Create a fraud alert message in the IDH Fraud Alert System, if/when appropriate;
3. Enter data associated with the potentially fraudulent activity into the SAR, if/when appropriate; and
4. Share information on the fraudulent activities on the conference calls that the UI Integrity Center conducts with designated state staff.

d. IDH Fraud Alert Process for the ETA National and Regional Offices

The UI Integrity Center will provide IDH Fraud Alert System access to appropriate ETA and OI staff, upon request. BPC and integrity program staff in ETA's Regional Offices may request IDH Fraud Alert System access through the ETA National Office. Designated ETA staff will have "view only" access to fraud alerts. Access to IDH Fraud Alerts will assist in keeping ETA staff informed of techniques used to commit fraud in the UI system and help with the development of new strategies and guidance for state UI agencies to combat fraud.

In addition, designated ETA staff and the Department's Office of the Inspector General, Office of Investigations – Fraud and Racketeering, will participate in the conference calls that the UI Integrity Center conducts with states regarding fraudulent activities in the UI system and strategies to address them.

5. **Inquiries.** Please direct inquiries to the appropriate ETA Regional Office. For further information and access to the IDH Fraud Alert System, please contact Jerome Lord at JLord@naswa.org.

6. **References.**

- Employment Security Manual, Part V, Section 7511, *Standard for Fraud and Overpayment Detection*, as codified in 20 Code of Federal Regulation (CFR) Part 614, Appendix C; and 20 CFR Part 617, Appendix C; and 20 CFR Part 625, Appendix C;

- 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. 4-17, *Disclosure of Confidential Unemployment Compensation (UC) Information to the Department of Labor's Office of Inspector General (OIG)*, issued December 16, 2016, https://wdr.doleta.gov/directives/corr_doc.cfm?DOCN=7523;
- 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; and
- Training and Employment Notice No. 10-17, *Update on the Unemployment Insurance Integrity Center's Activities: Launch of the Suspicious Actor Repository, the Integrity Knowledge Exchange, the National Integrity Academy, and Upcoming Informational Webinars*, issued December 20, 2017, https://wdr.doleta.gov/directives/corr_doc.cfm?DOCN=5143.

7. **Attachment(s)**. Not applicable.