

National Priority #2

Proactively Identify and Prevent Improper Payments and Fraud

The SQSP process is intended for states to develop and execute a strategic road map to improve program administration and ensure quality service delivery – this includes strengthening program integrity and preventing improper payments and fraud.

There are several activities involved in strengthening UI program integrity, such as improper payment reduction; fraud prevention and detection; identity (ID) verification; fraud risk mitigation; the recovery of overpayments; the prevention of underpayments; the timely and accurate payment of benefits; the timely and accurate establishment of employer accounts; the timely and accurate collection of employer contributions; and ensuring proper unemployment compensation (UC) administration.

Combating UI fraud is a continually evolving issue and effective prevention requires the ability to quickly adapt risk mitigation responses to changing threats. This takes dedicated focus, strong processes, and system-wide commitment from each state. Rather than simply reacting to detected fraud, a strong fraud prevention approach focuses on deterring and stopping fraud from occurring in the first place. Prevention activities are actions performed before benefits are issued to ensure that the payment is going to the right person, in the right amount, at the right time.

Effective anti-fraud strategies employ a multi-layered approach by leveraging an array of controls, tools, and resources to detect and fight fraud and reduce improper payments early and, wherever possible, before a payment is made. ETA continues to strongly encourage states to responsibly deploy multiple defense strategies such as multifactor authentication (MFA), fraud risk scoring, data analytics, trend analysis, cross-matching, bank account verification (BAV) or account verification services (AVS), machine learning, and artificial intelligence (AI) to proactively detect potential fraud.

ETA's efforts to improve integrity in the UI programs include providing guidance, technical assistance, resources, and funding to support states in combatting fraud and improper payments. The information below highlights additional resources made available for ID verification, UI Integrity Center resources, the use of the State Information Data Exchange System (SIDES) to exchange information electronically with employers and their representatives, and support for states to develop a Fraud Risk Profile in line with framework from the U.S. General Accountability Office (GAO).

- **ID Verification.** Section 303(a)(1) of the Social Security Act (SSA), requires that a state has methods of administration to reasonably ensure the full payment of unemployment compensation (UC) when due. As well as promptness, the Department has always interpreted "when due" to also require accuracy in ensuring that payments are not made when they are not due (see 20 CFR 602.11(a), 602.21(c), and [UIPL No. 04-01](#)). These federal provisions mean, among other things, states must have a system in place to ensure the individual applying to receive UI benefits is the true owner of the name and Social Security Number (SSN) being used to establish eligibility (see [UIPL No. 35-95](#)).

The strongest method by which states can ensure the name and SSN belong to the individual applying for benefits is by conducting evidence-based ID verification. Additionally, cross-matching and data analytics are most effective when conducted in real-time during the application process and when the state identifies a change in key user data (e.g., bank account or mailing address information).

As workloads fluctuate and fraud schemes evolve, ETA expects states to continuously monitor their fraud management operations and collective ID verification efforts for effectiveness and adaptation. At a minimum, states are required to employ a risk-based approach that involves using both cross-matching and data analytics to identify suspicious activity that may be indicative of fraud and/or questionable ID. A risk-based approach could also result in the assignment of a risk score, which is a tool or method that involves assigning a numerical value (score) based on the level of risk and/or likelihood of fraud associated with a user's actions and/or information supplied at any point in the UI process.

- **Work Authorization and use of the Systematic Alien Verification for Entitlements (SAVE) program.** In addition to meeting all other eligibility criteria, the wage credits used to establish a claim and monetary entitlement to benefits must be earned while an alien is legally authorized to work in the United States, and an alien must be legally authorized to work in the United States to meet the eligibility requirement of being “available for work” while receiving such benefits. Therefore, an alien without valid authorization to work from the U.S. Citizenship and Immigration Services (USCIS) is not legally available for work and not eligible for benefits. As a condition of eligibility, each applicant for UC must declare under penalty of perjury, whether he or she is a citizen or national of the United States and, if not, whether he or she is in satisfactory immigration status. States can now access the Department of Homeland Security's SAVE system at no cost to conduct this verification.
- **State Use of UI Integrity Center Resources.** The UI Integrity Center, established and funded by ETA and operated by NASWA, assists states in their efforts to prevent, detect, and recover improper and fraudulent payments, and improve UI program integrity by developing and promoting innovative program strategies. The UI Integrity Center is a unique and valuable resource available at **no cost** to states. ETA strongly encourages states to access its services and resources on a regular and ongoing basis to inform and support state integrity strategies; strengthen fraud prevention and detection; enhance fraud management operations; and improve overpayment recovery efforts. Below are important UI Integrity Center services and resources that states should connect to and build into the IAP as part of the SQSP.
 - [*Integrity Data Hub*](#) (IDH) – is a secure, robust, centralized, multi-state data system that allows participating states to crossmatch, compare, and analyze states UC claims data against a variety of datasets for enhanced prevention and detection of improper payments and fraud in UI programs. The IDH is a key payment integrity tool available to states at no cost. ETA and NASWA work together to seek new opportunities and partnerships to continuously improve and enhance the IDH and make additional data sources and functionality available to states for cross-matching.

While all 53 state UI agencies have agreements to participate in the IDH, states vary significantly in their use of this resource. ETA strongly encourages states to take full advantage of all available IDH functionality and submit all UI initial claims for cross-matching.

- [*State Services*](#) – supports states in assessing business processes and provides recommendations for adoption of effective strategies for combatting fraud, reducing a state’s improper payment rate, enhancing overpayment recovery, and improving UI program integrity.
- [*UI Integrity Knowledge Exchange Library \(Library\)*](#) – provides an online, searchable, knowledge-sharing platform with a repository containing thousands of UI technical resources to strengthen UI program integrity.
- [*Behavioral Insights \(BI\)*](#) – brings together practices from the field of behavioral science to promote UI integrity and reduce UI improper payments by applying observations about human behavior to strategies that can improve decision-making and program outcomes. NASWA’s [*BI Toolkit*](#) provides states with a collection of resources, articles, templates, and how-to information to help state UI agencies apply the learnings of BI to address program compliance challenges and improve UI program integrity (see [*TEN No. 15-21*](#)).
- [*UI National Integrity Academy \(Academy\)*](#) – provides no-cost interrelated certificates that offer program integrity trainings for state staff via online, eLearning modules, and Virtual Instructor Led Training. The Academy’s Learning Management System provides states with access to self-paced, on-demand training available at any time and a searchable online catalog with over 120 lessons available for state UI staff in the areas of Program Leadership, UI Operations Integrity, Fraud Investigations, Tax Integrity, Data Analysis, and Behavioral Insights.
- **State Information Data Exchange System (SIDES).** State implementation and employers’ use of SIDES should be an integral part of each state’s anti-fraud and improper payment reduction strategy (see [*TEN No. 12-16*](#) and information available at <https://www.naswa.org/uisides>).

SIDES is composed of Web Services for third-party administrators (TPAs) and large employers, and E-Response for smaller employers who are less frequent users of the UI system. States are encouraged to connect to all SIDES exchanges, which include the following:

- *Separation Information Exchange* – supports timely and accurate information from employers and TPAs, which aids in reducing separation errors.
- *Monetary & Potential Charges Exchange* – advises the employer/TPA of the wages used to calculate potential UC payable to the claimant and advises the employer of the potential charges applied to the employer’s state unemployment taxes if UC is paid and the employer is found liable.

- *Additional Fact-Finding Exchange* – permits electronic transmission of unique questions and responses between the state and the employer/TPA.
- *Determinations & Decisions Exchange* – permits the state to electronically transmit a non-monetary determination or an appeals decision to an employer/TPA, and permits the employer/TPA to electronically respond, if necessary, with an appeal of a non-monetary determination or appeal of a lower-level appeal decision using the standard national format.
- *Earnings Verification Exchange* – electronically sends wage verification requests to employers through a state-specific employer portal and is recommended if a state does not have an automated web-based system for requesting employers to verify earnings.
- *Benefit Charges Exchange* – advises the employer/TPA of the amount of benefits charged to the employer for determining the employer’s state unemployment taxes based on the claimant’s eligibility and account liability.
- *Power of Attorney Exchange* – intended for employers/TPAs/professional employer organizations to electronically request authorization to represent an employer for tax and/or benefit purposes ([TEN No. 14-24](#)).
- **Fraud Risks Profile.** The Department’s UI fraud risk management activities are fully aligned with the U.S. General Accountability Office’s (GAO’s) Fraud Risk Framework² and the “leading practices” are thoroughly embedded in ETA’s daily UI program integrity work. The Department uses its UI Fraud Risk Profile to assess existing UI fraud risk mitigation efforts, identify additional risks, and prioritize implementation of anti-fraud strategies. The creation, evaluation, monitoring, and evolution of risk mitigation strategies is an ongoing process. As such, ETA regularly assesses and updates its UI Integrity Strategic Plan³ and continuously evolves its anti-fraud and improper payment reduction strategies to best address inherent fraud risks and emerging fraud threats.

The UI program is a Federal-state partnership, authorized by Federal law (Title III of the SSA) and administered by states through conforming state laws. Both ETA and state UI agencies have a vested interest in ensuring UI program integrity and are jointly responsible for managing the process of assessing and mitigating fraud risks to the UI programs. However, only states can directly prevent, detect, and recover improper payments.

ETA requires states to evaluate UI fraud risks, and implement and maintain sufficient controls to effectively prevent fraud and reduce improper payments, which includes developing a state-specific anti-fraud strategy.⁴ To provide resources to state UI agencies to

² See A Framework for Managing Fraud Risks in Federal Programs at <https://www.gao.gov/assets/gao-15-593sp.pdf>.

³ The UI Integrity Strategic Plan is found at: https://ui.workforcegps.org/resources/2024/05/30/18/57/UI_Integrity_Strategic_Plan-Antifraud_Strategy (UI CoP log-in required).

⁴ GAO’s Framework for Managing Fraud Risks in Federal Programs highlights the key elements of an antifraud strategy (see <https://www.gao.gov/assets/gao-15-593sp.pdf>, Table 4, page 19).

aid in the development of state-specific anti-fraud strategies, and share information on ETA's activities regarding UI fraud risk management and the identified national UI fraud risks, ETA developed and published [UI Fraud Risk Management](#) webpages on the Workforce GPS, UI Community of Practice (see [TEN No. 32-23](#)).

Integrity and Disaster Unemployment Assistance (DUA)

Although DUA awards are under individual grants separate from the UI state administrative funding grants, ETA is using this SQSP guidance as an opportunity to stress the importance of integrity activities related to the DUA program. The incidents of declared disasters qualifying for DUA⁵ have increased in recent years. The UI system at large has experienced perpetrators of fraud attempting to leverage disruptions in the labor market, including disaster events, to file fraudulent claims. This has been particularly evident regarding DUA and UI claims related to recent major disasters. As a result, ETA is amplifying the need for states to enhance the integrity of the DUA program as a national priority.

- **Importance of ID Verification.** ETA strongly encourages states to use the same ID verification processes for all DUA claims that are used in the administration of their regular UI program. To bolster these efforts, ETA intends to make the use of front-end identity verification services on disaster-related claims a condition of any extensions or waivers requested and approved pursuant to Section 301 of the Stafford Act.
- **Importance of Documentation Substantiating Employment and Self-Employment.** As described in [UIPL No. 09-19](#), when filing an initial DUA application, if an individual does not have the required documentation to substantiate employment or wages, DUA benefits are payable based on the individual's affidavit. The individual has 21 days to present the required documentation to continue receiving payments. When an individual does not provide documentation demonstrating proof of employment within 21 days, the state must discontinue payments, issue a denial of benefits for any payments received by the individual, and establish an overpayment, as provided at 20 CFR 625.6(e)(2). As provided at 20 CFR 625.14(a), the individual is liable to repay the established overpayment and the state must take all reasonable measures under the law to recover the total sum of the DUA payments made to the individual.

ETA reminds states that they are to provide assurances regarding the DUA program as part of the FY 2026 SQSP submissions (see [TEN No. 13-21](#)). The assurances regarding DUA are:

- Each state must provide an assurance that it will conduct annual training for DUA staff charged with accepting DUA claim applications, adjudicating DUA claims, hearing DUA appeals and developing and maintaining a Standard Operating Procedures manual for DUA. States are encouraged to use the DUA training modules available on the NASWA learning platform at <https://www.naswa.org/learning>.
- Each state must:
 - Indicate that it has conducted training and provide the date(s) of the training; and

⁵ See Section 410 of the Stafford Act (42 U.S.C. § 5177).

- Indicate that it has developed and/or maintained DUA Standard Operating Procedures for use during a major disaster declaration. (States may contact the RO for a copy of a DUA Standard Operating Procedure Template. ROs will also obtain an initial copy from each state for the Department's record.)

ETA also encourages state UI agencies to review *The Disaster Lifecycle from Preparedness through Resiliency: A Guide for State Workforce Agencies*, which ETA recently published and announced in [TEN No. 19-24](#). This guide is designed to help state workforce agencies and their partners develop a comprehensive, adaptable, and strategic disaster preparedness and response planning process that can be quickly implemented by staff and partners.