U.S. DoL Provides $100 Million to Help Combat Unemployment Fraud

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NEW FEDERAL FUNDS AIMED AT HELPING STATE WORKFORCE AGENCIES PREVENT UNEMPLOYMENT FRAUD AND BENEFIT OVERPAYMENTS

The U.S. Department of Labor (DoL) announced on August 31, 2020 they are providing an additional $100 million to state workforce agencies to help their efforts to prevent unemployment insurance (UI) fraud and recover past overpayments related to false benefit claims and overpayments.

The funding comes at a critical time. It will help state agencies get additional resources and tools needed to combat the rise in fraudulent unemployment claims seen across the country. A combination of old technology, overwhelming claim and recertification volume, as well as outdated datasets, have contributed to the issue. This comes as state workforce agencies struggle to get payments to individuals in need.

MULTIPLE TECHNIQUES TO HELP IDENTIFY FRAUDULENT ACTIVITY

The DoL recommends that state agencies employ multiple techniques to validate UI claims and uncover suspicious or fraudulent characteristics. Those techniques include identity verification, data mining and analytics.

This reflects what teams at Equifax are using and recommending to our clients. In a recent test conducted for a state unemployment agency, tools in the Equifax UI Eligibility suite were able to help identify nearly 30 percent of initial applications for unemployment as a potentially improper payment. While the test was conducted on applications already in progress, state agencies can help prevent potential improper payments. They can use identity tools and data to quickly screen applications. These tools can help accelerate decisions for the other 70% of applicants in need.

FUNDING FOR STAFF, CONTRACT SERVICES, ACTIVITIES AND TOOLS

The DoL's guidance permits state agencies to use the targeted funding for:

- staff or contract services to conduct fraud investigations and other fraud detection-related activities,
- or to implement tools to increase prevention, detection, and recovery of fraudulent improper payments in the Pandemic Unemployment Assistance (PUA) and Pandemic Emergency Unemployment Compensation (PEUC) programs.

PEUC was part of the CARES Act. It provides 13 weeks of additional unemployment benefits to qualified individuals whose regular unemployment benefits were exhausted on or after July 6, 2019. This program depends on the validity of recertifications to continue benefits.

Again, the use of multiple techniques and data analytics can be helpful. An analysis of recertifications in April by a state agency shows a nearly 10X increase over the average monthly volume pre-COVID. It also showed an associated rise in potential improper payments using tools from the Equifax UI Eligibility suite from 8 percent to 17 percent. The tools serve as an efficient double-check once a claim is in progress. It can help identify potential issues and allow applications for non-flagged unemployment claims to continue without undue delays.

With funds now available on a sliding scale*, states can tap more resources to help protect unemployment program integrity. And, they can do this with less disruption to their efforts to get payments quickly and correctly to those who qualify.

Find out more about the Equifax UI Eligibility Suite of Solutions.

* States are assigned to three groups (small, medium and large). This is based on the 12-month average of UI covered employment for the four quarters in calendar year 2019:

- Small states (covered employment less than 1 million) will receive $1.215 million
- Medium states (1-2 million covered employment) will receive $1.785 million
- Large states (2+ million covered employment) will receive $2.43 million