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September 2023

UNEMPLOYMENT INSURANCE

Estimated Amount of Fraud during Pandemic Likely Between $100 Billion and $135 Billion

Accessible Version

GAO-23-106696

GAO Highlights

Highlights of GAO-23-106696, a report to congressional requesters

September 2023

UNEMPLOYMENT INSURANCE

Estimated Amount of Fraud during Pandemic Likely Between $100 Billion and $135 Billion

Why GAO Did This Study

The UI system has faced long-standing challenges with program integrity, which worsened during the COVID-19 pandemic. In response to historic pandemic job losses, Congress created new temporary UI programs to provide relief for the unemployed. The unprecedented demand for benefits and need to quickly implement the new programs increased the risk of fraud. Due to this and other challenges, GAO added the UI system to its High Risk List in June 2022.

This report (1) provides an estimate of fraud within UI programs during the pandemic; (2) identifies the assistance DOL provided to states; and (3) presents amounts that states reported in UI overpayment recoveries and waivers, among other amounts. GAO used data from multiple sources to produce an estimated range of the extent of fraud during the pandemic. In determining the estimate, GAO reviewed DOL data, selected and reviewed a sample of payments, matched samples to other federal data bases, developed an econometric model on claims and economic conditions, and performed numerous other analyses. GAO also reviewed data on state-reported overpayments, recoveries, and waivers. GAO interviewed officials from 14 states, selected based on fraud risk and other factors.

What GAO Recommends

Since 2018, GAO has made 26 recommendations to DOL to improve the UI system. However, DOL has not yet fully implemented 16 of these; doing so can reduce UI's fraud vulnerabilities.

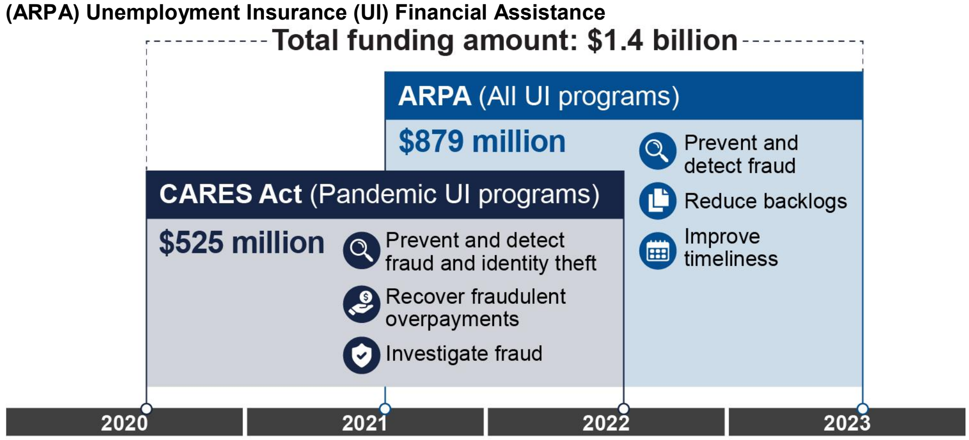
View GAO-23-106696. For more information, contact Seto Bagdoyan at (202) 512-6722 or BagdoyanS@gao.gov, or Jared Smith at (202) 512-2700 or SmithJB@gao.gov.

What GAO Found

Based on statistical sampling and imputation techniques, GAO estimates that the amount of fraud in unemployment insurance (UI) programs during the COVID-19 pandemic was likely between $100 billion and $135 billion. This is about 11 percent and 15 percent, respectively, of the total amount of UI benefits paid during the pandemic. GAO's estimate is for the period from April 2020 (first full month of payments from all UI programs) to May 2023 (end of the public health emergency). This estimate covers all 53 states that participated in the regular and temporary UI programs. The full extent of UI fraud during the pandemic will likely never be known with certainty. In commenting on a draft of this report, the Department of Labor (DOL) expressed concerns about GAO's fraud estimation methodology and stated that the resulting estimate was likely overstated. GAO disagrees and explains in the report the steps taken to estimate the range of fraud. These steps include using (1) a 95-percent confidence interval to account for sample design and size, and (2) multiple data sources and validity checks to account for uncertainty associated with identifying potential fraud in its sample.

During the pandemic, DOL provided states with assistance to improve UI systems and processes. As of July 2023, DOL reported allocating grants totaling about $1.4 billion to states for initiatives including fraud prevention, detection, investigation, and recovery. Officials from selected states confirmed that they used this assistance for fraud detection and prevention, including verification software and improvements in payment timeliness.

Coronavirus Aid, Relief, and Economic Security (CARES) Act and American Rescue Plan Act (ARPA) Unemployment Insurance (UI) Financial Assistance



Sources: GAO analysis of Department of Labor information; Icons-Studio/stock.adobe.com (icons). | GAO-23-106696

Accessible Data for Coronavirus Aid, Relief, and Economic Security (CARES) Act and American Rescue Plan Act (ARPA) Unemployment Insurance (UI) Financial Assistance

Total funding amount: $1.4 billion

August 2020 – July 2022
CARES Act (Pandemic UI programs)
$525 million

- Prevent and detect fraud and identity theft

- Recover fraudulent overpayments
- Investigate fraud

August 2021 – July 2023
ARPA (All UI programs)
$879 million

- Prevent and detect fraud
- Reduce backlogs
- Improve timeliness

As of May 1, 2023, states reported identifying about $55.8 billion in fraudulent and nonfraudulent UI overpayments and recoveries of about $6.8 billion from March 2020 through March 2023. During this period, states reported identifying fraudulent UI overpayments totaling $5.3 billion and recoveries of $1.2 billion. States use several tools to recover overpayments, including direct repayment and offsets. States can also write off overpayments as uncollectible. Further, states may waive their legal right to collect nonfraudulent overpayments. DOL rules do not allow states to waive fraudulent overpayments.

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Abbreviations

ARPA	American Rescue Plan Act
BAM	Benefit Accuracy Measurement
BPA	Blanket Purchase Agreement
CARES Act	Coronavirus Aid, Relief, and Economic Security Act
DMF	Death Master File
DOL	Department of Labor
ETA	Employment and Training Administration
EVS	Enumeration Verification System
FPUC	Federal Pandemic Unemployment Compensation
FRA	Fiscal Responsibility Act of 2023
IT	Information Technology
MEUC	Mixed Earner Unemployment Compensation
NDNH	National Directory of New Hires
OIG	Office of Inspector General
OMB	Office of Management and Budget
PEUC	Pandemic Emergency Unemployment Compensation
PUA	Pandemic Unemployment Assistance
SSA	Social Security Administration
SSN	Social Security number
SWA	state workforce agency
UI	unemployment insurance
UIPL	Unemployment Insurance Program Letter

U.S. GOVERNMENT ACCOUNTABILITY OFFICE
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September 12, 2023

The Honorable Mike Crapo
Ranking Member
Committee on Finance
United States Senate

The Honorable Jason Smith
Chairman
Committee on Ways and Means
House of Representatives

The unemployment insurance (UI) system has faced long-standing challenges with effective program integrity.[1] In response to historic pandemic job losses, on March 27, 2020, Congress enacted the Coronavirus Aid, Relief, and Economic Security (CARES) Act. The act created three new federally funded temporary UI programs that expanded UI benefit eligibility, enhanced benefits, and extended benefit duration.[2] The temporary programs supplemented existing UI programs, known as "regular" UI, which is a federal-state partnership that provides temporary financial assistance to eligible workers who become unemployed through

[1]The UI system includes UI programs that were established prior to the COVID-19 pandemic and programs established in response to the COVID-19 pandemic: Pandemic Unemployment Assistance (PUA), Federal Pandemic Unemployment Compensation (FPUC), Pandemic Emergency Unemployment Compensation (PEUC), and Mixed Earner Unemployment Compensation (MEUC).

[2]Pub. L. No. 116-136, §§ 2102, 2104, 2107, 134 Stat. 281, 313-28. The Consolidated Appropriations Act, 2021, created the MEUC program, which is an additional temporary supplemental UI program. Pub. L. No. 116-260, div. N, tit. II, subtit. A, chap. 1, § 261(a)(1), 134 Stat. 1182, 1961.

no fault of their own.[3] The federal government directly funded the administration of, and benefits for, the new pandemic UI programs and, as directed by statute, relied on state workforce agencies (SWA) to process claims and issue benefits to individuals.[4] From April 1, 2020, through May 31, 2023, expenditures across the UI system totaled approximately $900 billion, according to Department of Labor (DOL) data.[5]

The unprecedented demand for UI benefits and the need to quickly implement the new programs during the pandemic increased the risk of fraud.[6] Findings from the DOL Office of Inspector General (OIG) and prior GAO reports, and the urgent need to address persistent issues in the UI system—including service delivery inefficiencies and outdated IT

[3]We refer to the UI program—excluding both the temporary UI programs created by the CARES Act and other legislation, as well as the Extended Benefits program—as the regular UI program and the benefits paid under the program as regular UI benefits. For purposes of this report, regular UI benefits are benefits paid by the state under state UI law, Unemployment Compensation for Federal Employees, and Unemployment Compensation for Ex-Service Members programs. The Extended Benefits program, which existed prior to the pandemic, provides up to 13 or 20 additional weeks of benefits when a state is experiencing specific levels of high unemployment. We refer to the four temporary UI programs created by the CARES Act and the Consolidated Appropriations Act, 2021, as pandemic UI programs.

[4]Fifty-three SWAs administer UI programs across the 50 states, the District of Columbia, Puerto Rico, and the U.S. Virgin Islands. In addition to the 53 SWAs, DOL made CARES Act funding available to other territories and freely associated states that do not operate regular UI programs—American Samoa, the Commonwealth of the Northern Mariana Islands, the Federated States of Micronesia, Guam, Republic of the Marshall Islands, and Republic of Palau—to operate PUA and FPUC programs. For purposes of this report, when we refer to states' administration of the UI program, we include states, territories, and freely associated states. SWAs are responsible for administering unemployment insurance programs, among other things. State unemployment tax revenues are held in trust by the Secretary of the Treasury and are used by the states to pay for weekly regular UI benefits.

[5]This amount includes about $230 billion in expenditures under the regular UI and Expanded Benefits programs and about $670 billion in expenditures under the pandemic UI programs that expired on September 6, 2021. However, 24 states ended their participation in at least one of the pandemic UI programs before the programs expired.

[6]Fraud involves obtaining something of value through willful misrepresentation.

systems—led us to designate the UI system as high risk in June 2022.[7] This designation is intended to help spur progress in resolving persistent issues by shining a spotlight on such issues and ways the federal government can lead efforts to find solutions.

The increased significance of the UI system during the pandemic drew attention to its vulnerabilities and susceptibility to fraud, waste, abuse, and mismanagement. In our prior work, we reviewed existing measures and estimates of fraud and found evidence of substantial levels of fraud and potential fraud in UI programs during the pandemic. However, we concluded that available measures and estimates were incomplete and did not fully reflect the extent of fraud and potential fraud in UI programs during the pandemic.[8]

SWAs endeavored to implement new temporary UI programs and process unprecedented claims volumes during the pandemic. A key challenge facing those SWAs was simultaneously ensuring that UI benefits were paid to only those individuals eligible under program requirements and were paid in the correct amounts. Accurate initial determinations of eligibility were critical to ensuring that benefits were granted only to those intended by the programs. This also included ensuring that program monitoring over the use of funds was sufficiently designed and accurately reported at the state and federal level. To help assist SWAs, the CARES Act and the American Rescue Plan Act (ARPA) contained provisions and, starting in March 2021, also provided additional funding, for DOL to provide financial and technical assistance to states to improve UI systems and processes.[9]

UI overpayments—payments to ineligible recipients or payments in the incorrect amounts—can be the result of error on the part of the employer, claimant, the SWA, or a combination of these parties, or the result of

[7]The High Risk List highlights federal programs and operations that we have determined are in need of transformation. It also names federal programs and operations that are vulnerable to waste, fraud, abuse, and mismanagement. GAO, *Unemployment Insurance: Transformation Needed to Address Program Design, Infrastructure, and Integrity* Risks, GAO-22-105162 (Washington, D.C.: June 7, 2022); and *High-Risk Series: Efforts Made to Achieve Progress Need to Be Maintained and Expanded to Fully Address All Areas*, GAO-23-106203 (Washington, D.C.: Apr. 20, 2023).

[8]GAO, *Unemployment Insurance: Data Indicate Substantial Levels of Fraud during the Pandemic; DOL Should Implement an Antifraud Strategy,* GAO-23-105523 (Washington, D.C.: Dec. 22, 2022).

[9]Pub. L. No. 116-136, §2102(f)(2)(B), 134 Stat. at 316; Pub. L. No. 117-2, §9032, 135 Stat. at 121.

fraud. SWAs report identified overpayments—including fraudulent overpayments—and recoveries to DOL.

You asked us to continue our work to develop a more comprehensive estimate of UI fraud; review DOL financial and technical assistance provided to states during the pandemic; and identify the extent to which states have recovered, written off, or waived UI overpayments. This report addresses (1) the estimate of fraud (lower and upper range) within UI programs during the COVID-19 pandemic; (2) how much financial and technical assistance DOL has allocated and awarded to states under the CARES Act and ARPA, and how DOL tracks use of this assistance; and (3) how much states have reported in UI overpayments and related recoveries, write-offs, and waivers.

To address our first objective to develop an estimate of fraud within UI programs during the pandemic, we combined information from multiple sources to produce an upper and lower range on the extent of UI fraud during the pandemic.[10] Specifically, we combined separate estimates of fraudulent payments associated with (1) the regular UI program, Pandemic Emergency Unemployment Compensation (PEUC), Mixed Earner Unemployment Compensation (MEUC) payments, Extended Benefits, and the portion of Federal Pandemic Unemployment Compensation (FPUC) payments not associated with PUA; and (2) the PUA program, including FPUC payments associated with PUA claims. The DOL OIG reported in October 2020 that the PUA program in particular was at high risk for fraud due to its unique program rules and eligibility requirements.[11] We developed separate procedures for the PUA program because of the program's unique fraud risk profile.

The scope of our review was from April 2020—the first full month of pandemic UI program payments—through May 2023—the end of the COVID-19 public health emergency. We estimated the extent of fraud across all 53 SWAs for the regular UI and pandemic UI programs. Throughout this report, we use the phrase "fraud estimate" or "estimate of

[10]We define the pandemic period as from April 2020 through May 2023. We selected April 1, 2020, as the beginning date for this range to reflect the period when all pandemic UI program payments were being paid and to align with DOL's quarterly reporting on estimated fraud rates. While the pandemic UI programs expired in September 2021, the COVID-19 public health emergency ended in May 2023. Therefore, we selected May 31, 2023, as the end date for this range.

[11]Department of Labor, Office of Inspector General, *COVID-19: States Cite Vulnerabilities in Detecting Fraud While Complying with the CARES Act UI Program Self-Certification Requirement*, Report No. 19-21-001-03-315 (Washington, D.C.: Oct. 21, 2020.)

fraud" to refer to estimates that attempt to quantify the extent of fraud, regardless of whether such fraud has already been detected and adjudicated.

To derive the estimated fraud in the UI programs, excluding PUA, we used data from DOL's Benefit Accuracy Measurement (BAM) program—which DOL uses to estimate the amount and rate of improper payments, including those caused by fraud—from April 2020 through December 2022. Using the BAM program estimates, we developed a statistical model to impute the regular UI program fraud rate for the first 3 months of the pandemic when BAM was suspended.[12]

For the PUA program, we obtained the generalizable sample of 2,540 PUA payments that DOL selected as part of its improper payment estimation effort. We then selected a subsample of 260 PUA payments for further review. The DOL OIG used data analytic procedures to identify the presence of fraud indicators in the sample of 2,540 PUA payments and provided them to us.[13] To identify the presence of additional fraud indicators, we cross-matched our sample with the Death Master File to identify potentially deceased individuals and with the National Directory of New Hires (NDNH) to identify claimants' unreported wages.[14] For the

[12]DOL uses its BAM program to estimate the amount and rate of improper payments, including those caused by fraud. The BAM program only includes testing of regular UI claims. For fiscal years 2021 and 2022 improper payment reporting, DOL applied the estimated improper payment rate from the BAM program testing of regular UI claims to calculate the estimated improper payment amounts for FPUC and PEUC. Thus, the estimated improper payment amounts for these two programs were incorporated into the overall UI estimated improper payment amount reported for fiscal years 2021 and 2022. However, this overall estimated improper payment amount for UI did not include an estimate for PUA. According to DOL, it did not include PUA in the extrapolation of the BAM estimated improper payment rate because the PUA program served a different population of workers and had different eligibility requirements. To impute is to assign a value to something by inference. Extrapolation is a technique that can offer a rough or notional estimate of fraud or potential fraud, even if data on a specific measure or rate are unavailable, but may have limitations related to validity, accuracy, and completeness.

[13]Fraud indicators are characteristics and flags that serve as warning signs suggesting a potential for fraudulent activity. Indicators can be used to identify potential fraud and assess fraud risk but are not proof of fraud, which is determined through the judicial or other adjudicative system. The DOL OIG provided 18 indicators including, for example, multistate claims and shared or suspicious email addresses.

[14]NDNH is a national repository of new hire, quarterly wage, and unemployment insurance information reported by employers, states, and federal agencies. NDNH is maintained and used by the U.S. Department of Health and Human Services for the federal child support enforcement program, which assists states in locating parents and enforcing child support orders. DOL does not have access to NDNH wage data; however, states have access to NDNH wage data.

sample of 260 PUA payments, we then followed up on matches by reviewing the state case files; discussing cases with the DOL OIG; and reviewing publicly available information, when applicable, to determine the risk of fraud on those matches.[15] We also matched information from the case files against the Social Security Administration's Enumeration Verification System to identify claimants with invalid personal information.

The above steps produced manually adjusted fraud risk scores for the sample of 260 PUA payments and programmatically generated fraud indicators for the DOL sample of 2,540. We used a statistical procedure, known as multiple imputation, to estimate manually adjusted fraud risk scores for the sample of 2,540 payments, given our more detailed review of the 260 payments.[16] We used the DOL sample design and sampling weights to extend the sample results to the full population of PUA payments.

To help assess the validity of our estimate of the extent of fraud in the PUA program, we conducted an analysis of PUA benefit payments volume over time from March 2020 to December 2021. Specifically, we developed an econometric model to predict the level of PUA benefit payments if all states were comprehensively implementing fraud prevention tools or processes, using explanatory variables that captured a broad range of state-level conditions, such as states' COVID-19 disease burden.

We combined our fraud estimate from the BAM program with our PUA fraud estimate from our sample of PUA payments to estimate the upper and the lower range of the amount of fraud in the UI programs during the pandemic. See appendix I for additional details on our methodology for calculating this estimate, and a full description of the limitations and assumptions.

To address our second objective, we reviewed DOL data on the financial and technical assistance provided to states from March 2020 through July 2023. This period covers the beginning of the pandemic through the most recent month of data available at the time of our review. We reviewed

[15]In many cases, a fraud indicator may be explained by events other than fraud. The goal of the manual review was to account for alternative explanations of the observed fraud indicators. For example, an address may have a large number of claims because it is a multiunit dwelling and so, when assessing fraud risk associated with individual addresses, we examined the size of the dwelling and whether it was multiunit.

[16]In this report, we do not detail all the steps of our fraud scoring process so that potential perpetrators of fraud do not become aware of fraud risks or exploit potential weaknesses in the program.

these data to determine the amount of financial and technical assistance allocated and awarded to each state. We reviewed DOL guidance to understand the grant reporting requirements to determine how the agency oversees financial and technical assistance provided to states. We conducted interviews with state officials from six selected states—California, Florida, Kansas, Nevada, New York, and Washington—to obtain information related to the assistance provided. These states were selected based on a range of (1) the fraud risk level identified in our first objective, (2) the amount of grant funding received, and (3) acceptance of DOL's offer of financial and technical assistance.[17] Information from the six selected states is not generalizable to all states.

To address our third objective, we reviewed the most recent data available as reported by states as of May 1, 2023, to DOL through Forms 902P (PUA) and 227 (non-PUA) on the extent that states have recovered, written off, and waived overpayments from March 2020 through March 2023.[18] These were the three most recent years available at the time of our review. We conducted interviews with DOL officials and the six selected states to obtain information related to (1) the identification of fraudulent UI overpayments, (2) efforts to recover fraudulent UI overpayments, (3) the criteria used to write off fraudulent overpayments, and (4) waivers processed for nonfraudulent UI overpayments. Analysis conducted for the six selected states is not generalizable. We conducted various electronic tests to assess the reliability of the data. These tests included identifying missing data, duplicate records, and values outside our designated range. Based on the results of our electronic tests and our review of reporting guidance, we determined these data to be sufficiently reliable for the purpose of reporting amounts overpaid, recovered, written off, and waived, as provided to DOL by the states.

We conducted this performance audit from January 2023 to September 2023 in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for

[17]These six states were selected based on different criteria compared with the 14 SWAs that were selected for interviews to obtain information about the operation of the pandemic UI programs and help inform the estimation process. For the list of the 14 SWAs selected for interviews to obtain information about the operation of the pandemic UI programs and help inform the estimation process, see app. I.

[18]DOL's Employment and Training Administration (ETA) 227 reports are used for the regular UI, PEUC, FPUC, and MEUC programs. ETA 227 UI data are reported quarterly. Additionally, reporting for the regular UI program includes totals for the Unemployment Compensation for Ex-Service Members/Unemployment Compensation for Federal Employees, and Extended Benefits programs.

our findings based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings based on our audit objectives.

Background

Federally Funded UI Programs in Response to COVID-19

The CARES Act created three new federally funded temporary UI programs that expanded UI benefit eligibility and enhanced benefits.[19]

- **PUA**, which was generally available through September 6, 2021, and authorized UI benefits to individuals not otherwise eligible for UI benefits, such as the self-employed and certain gig economy workers, who were unable to work because of specified COVID-19 reasons.[20] The total federal expenditure for PUA program benefits was $138 billion through May 31, 2023.
- **FPUC**, which generally authorized an additional $600 weekly benefit through July 2020 and generally authorized a $300 weekly benefit for weeks beginning after December 26, 2020, and ending on, or before, September 6, 2021, for individuals eligible for weekly UI benefits available under the regular UI program and CARES Act UI programs.[21] According to DOL officials, the agency does not have a breakout of how much FPUC money was distributed related to regular UI or PUA. The total federal expenditure for FPUC program benefits was $442 billion through May 31, 2023.
- **PEUC**, which was generally available through September 6, 2021, and generally authorized additional weeks of UI benefits for those who

[19]These programs were subsequently extended and amended by the Consolidated Appropriations Act, 2021, as well as ARPA, and expired in September 2021. However, 24 states ended their participation in at least one of these programs before the programs expired in September 2021.

[20]At the time of the program's expiration in September 2021, PUA generally authorized up to 79 weeks of benefits. Pub. L. No. 117-2, § 9011(a), (b), 135 Stat. 4, 118; Pub. L. No. 116-260, div. N, tit. II, § 201(a), (b), 134 Stat. 1182, 1950-1951 (2020); Pub. L. No. 116-136, § 2102, 134 Stat. 281, 313 (2020).

[21]Pub. L. No. 117-2, § 9013, 135 Stat. 4, 119; Pub. L. No. 116-260, div. N, tit. II, § 203, 134 Stat. 1182, 1953; Pub. L. No. 116-136, § 2104 Stat. 281, 318.

had exhausted their regular UI benefits.[22] The total federal expenditure for PEUC program benefits was $90 billion through May 31, 2023.

In addition, the Consolidated Appropriations Act, 2021, created the MEUC program, which was extended by ARPA and expired in September 2021.[23] According to DOL, the MEUC program was intended to supplement regular UI claimants whose benefits do not account for a significant self-employment income. Consequently, these claimants may have received a lower UI benefit than they would have received had they been eligible for PUA. The total federal expenditure for MEUC program benefits was $78 million through May 31, 2023.

UI Program Integrity

The unprecedented demand for UI benefits and the urgency with which states implemented the new programs during the pandemic increased the risk of improper payments, including, but not limited to, those due to fraud.[24] DOL uses its BAM program to estimate the amount and rate of improper payments, including those caused by fraud. The BAM program includes testing of regular UI claims.

For fiscal years 2021 and 2022 improper payment reporting, DOL applied the estimated improper payment rate from the BAM program testing of regular UI claims to calculate the estimated improper payment amounts

[22]At the time of the program's expiration, PEUC generally authorized an additional 53 weeks of benefits for claimants who were fully unemployed. Pub. L. No. 117-2, § 9016(a), (b), 135 Stat. 4, 119-120; Pub. L. No. 116-260, div. N, tit. II, § 206(a), (b), 134 Stat. 1182, 1954; Pub. L. No. 116-136, § 2107, 134 Stat. 281, 323.

[23]The MEUC program, which was voluntary for states, authorized an additional $100 weekly benefit for certain UI claimants who received at least $5,000 of self-employment income in the most recent tax year prior to their application for UI benefits between December 27, 2020, and September 6, 2021. Pub. L. No. 117-2, § 9013(a), 135 Stat. 4, 119; Pub. L. No. 116-260, div. N, tit. II, § 261(a)(1), 134 Stat. 1182, 1961.

[24]An improper payment is defined by law as any payment that should not have been made or that was made in an incorrect amount (including overpayments and underpayments) under statutory, contractual, administrative, or other legally applicable requirements, including unknown payments. It includes any payment to an ineligible recipient, any payment for an ineligible good or service, any duplicate payment, any payment for a good or service not received (except for such payments where authorized by law), and any payment that does not account for credit for applicable discounts. 31 U.S.C. § 3351(4). When performing improper payment risk assessments and estimates, executive agencies are required to treat as improper any payments whose propriety cannot be determined due to lacking or insufficient documentation. 31 U.S.C. § 3352(c)(2).

for FPUC and PEUC.[25] Thus, the estimated improper payment amounts for these two programs were incorporated into the overall UI estimated improper payment amount reported for fiscal years 2021 and 2022. However, this overall estimated improper payment amount for UI did not include an estimate for PUA. According to DOL, it did not include PUA in the extrapolation of the BAM estimated improper payment rate because the PUA program served a different population of workers and had different eligibility requirements.[26] In addition, the BAM program did not cover the start of the pandemic due to a temporary 3-month suspension of testing for claims filed from April 1, 2020, to June 30, 2020, in order to allow BAM investigators to help process initial claims and adjudication in operations.[27]

DOL's annual estimated improper payments in UI increased from $8.0 billion (9.2 percent estimated improper payment rate) for fiscal year 2020 to $78.1 billion (18.9 percent estimated improper payment rate) for fiscal year 2021. For fiscal year 2022, DOL reported estimated improper payments of $18.9 billion (22.2 percent estimated improper payment rate).[28] Improper payments could suggest that a program may be vulnerable to fraud. However, improper payments represent all overpayments—including fraud—and underpayments resulting from any

[25]DOL did not calculate an estimated improper payment amount for the MEUC program, according to officials, because the program only operated between January and September 2021. Office of Management and Budget (OMB) guidance instructs agencies to complete improper payment risk assessments for newly established programs after the first 12 months of the program. If the agency determines that the program is susceptible to significant improper payments as a result of the assessment, then, in the following year, the agency should produce a statistically valid estimate of the program's improper payments. DOL officials explained that, because MEUC existed for less than one year, DOL did not estimate or report improper payments for this program.

[26]While DOL planned to report a statistically valid national improper payment rate for PUA by fall 2022, according to DOL, OMB requested that it conduct further analysis of the outcomes recorded through the PUA case review process. Also, according to DOL, OMB allowed additional time to conduct this analysis and report on PUA outcomes in fiscal year 2023. In August 2023, DOL released its estimate of improper payments made from March 2020 to September 2021 under the PUA program, concluding that the PUA program had a total estimated improper payment rate of 35.9 percent. DOL noted that its analysis focused on the broader universe of improper payments, does not isolate fraud, and should not be considered a fraud estimate for the PUA program.

[27]According to DOL officials, BAM investigators helped process initial claims and adjudication in operations because they had the experience in this area.

[28]DOL's fiscal years 2020, 2021, and 2022 improper payment estimates do not include PUA claims.

type of intentional or unintentional error. This amount is not a valid indicator of fraud in a particular program.

In the UI system, program integrity is a shared responsibility between the federal and state governments. DOL provides general support and technical assistance, and states assume responsibility for determining eligibility, ensuring accurate benefit payments, and preventing fraud and other improper payments. Under the BAM program, each state is to review a number of randomly selected cases on a weekly basis and reconstructs the UI claims process to assess the accuracy of the payments that were made. A BAM investigator in the SWA is to review each sampled claim and identifies errors and the causes of the error, including those caused by fraudulent activity.

Fraud and Fraud-Related Estimates

Fraud involves obtaining something of value through willful misrepresentation, and it is a subset of overpayments. Whether any given claim is fraudulent is determined through the judicial or other adjudicative systems. The DOL OIG reported in November 2021 that fraud—specifically claimants who received UI benefits through fraudulent schemes, such as those perpetrated during the COVID-19 pandemic—was one of the leading causes of improper payments. However, it did not report a specific amount of fraud.[29]

In October 2021, we reported that the amount of fraudulent and potentially fraudulent activity in UI programs increased substantially after implementation of the pandemic UI programs, relative to the amount of such activity in the regular UI program before the pandemic.[30] For example, the increased amount of benefits awarded and the PUA program's initial reliance on self-certification gave criminals incentive and opportunities to commit fraud. DOL officials also identified other factors—including significant increases in claims workload, new and inexperienced staff and contractors, and quick implementation of new programs—that provided additional opportunities for exploitation of program and system

[29]Department of Labor Office of Inspector General, *Top Management and Performance Challenges Facing the U.S. Department of Labor* (Washington, D.C.: November 2021).

[30]GAO, *COVID-19: Additional Actions Needed to Improve Accountability and Program Effectiveness of Federal Response*, GAO-22-105051 (Washington, D.C.: Oct. 27, 2021). We define fraudulent activity as activity that has been confirmed to be fraudulent via an adjudicative or other formal determination process. We define potentially fraudulent activity as activity that has indicators that may suggest fraud.

vulnerabilities. In addition, DOL officials stated that the UI programs during the pandemic were a key target for fraud because fraudsters could receive a large amount of money in one payment because certain UI claims could be backdated to the beginning of the eligibility period.

In December 2022, we found that federal and state fraud measures and estimates indicated substantial fraud and potential fraud in UI programs during the pandemic but did not fully reflect the extent of fraud.[31] While federal and state entities have produced several fraud and fraud-related measures and estimates of UI fraud during the pandemic, no estimate or combination of estimates fully covers the extent of fraud in UI programs during the pandemic. As discussed later in this report, we have developed our own estimate, including a lower and upper range, of the total extent of UI fraud during the pandemic.

DOL Assistance to States

DOL provides administrative funding and support to SWAs as a function of the regular UI program. Additionally, the CARES Act authorized DOL to provide funding to states to administer the pandemic UI programs.[32] DOL has used its authority under the CARES Act to provide states with additional administrative funding to include the following for the pandemic UI programs:

- prevent, detect, and investigate fraudulent overpayments;
- recover overpayments; and
- support identity verification and prevent identity fraud.

In March 2021, the President signed ARPA into law. The law created a new section of the CARES Act and provided $2 billion in funding to DOL to detect and prevent fraud, promote equitable access, and ensure the timely payment of benefits to eligible workers with respect to the unemployment compensation programs. In August 2021, DOL announced

[31]GAO-23-105523. We use the phrase “fraud measure” to discuss counts related to proven fraud, such as adjudicated cases of fraud. We use the phrase “fraud estimate” to discuss estimates that attempt to quantify what could be determined to be fraud—or the extent of fraud—although such cases have not yet been, and may never be, proven. Finally, we use the phrases “fraud-related” and “potential fraud” to describe measures and estimates that attempt to quantify the extent of fraud indicators but do not suggest a potential or actual determination of fraud.

[32]The CARES Act did not specify the amount for DOL funding to states to administer the pandemic UI programs.

initial funding to states to carry out work on four tracks to address systemic shortcomings in access:

- sending expert “Tiger Teams” directly to states to help identify process improvements that can speed benefit delivery, address equity, and fight fraud;
- providing tools to help address immediate fraud concerns by facilitating more effective identification verification processes;
- developing IT solutions that can be adopted by states to modernize antiquated state technology;[33] and
- announcing funding opportunities to help states ensure timely payment of benefits, promote equitable access, and combat fraud.

In June 2023, the Fiscal Responsibility Act of 2023 (FRA) was signed into law.[34] This law rescinds total ARPA funding for UI programs that had not been awarded and reduced the total ARPA funding for UI programs from $2 billion to $1 billion. In July 2023, DOL announced updated financial assistance amounts for states, which reflected the FRA rescission.

UI Overpayment Recoveries, Write-offs, and Waivers

States report to DOL on UI overpayments; recoveries; write-offs; and waivers, among other information. An overpayment occurs when individuals receive benefits to which they are not entitled. Once a state determines that an overpayment has been made, the state must take actions to recover the amount overpaid. If states have exhausted efforts to collect an overpayment, the state may remove (write off) the amount for accounting purposes within the authority of state law. A write-off does not limit the legal authority of the state to collect the overpayment, should the opportunity arise. Under the pandemic UI programs, a state can waive the legal right to recover the overpayment, in limited circumstances,

[33]Many states rely on outdated legacy IT systems to operate their UI programs. The DOL OIG and GAO have reported on the risks and challenges that legacy systems pose for state UI programs, which have led to, among other things, reduced efficiency and effectiveness. Legacy IT systems have led to slower payment processing, an inability to detect and recover fraudulent overpayments, reporting difficulties, security vulnerabilities, staffing challenges, and increased administrative costs. See GAO, *Unemployment Insurance: DOL Needs to Further Help States Overcome IT Modernization Challenges*, GAO-23-105478 (Washington, D.C.: July 10, 2023).

[34]The Fiscal Responsibility Act of 2023, Pub. L. No. 118-5, 137 Stat. 10 (2023), rescinded $1 billion of the unobligated balance.

where the individual is not at fault and repayment would be contrary to equity and good conscience.

State laws provide methods for the recovery of benefit overpayments, including fraudulent overpayments.[35] States use several tools to recover overpayments, such as direct repayment, offsetting future UI benefits, and assessing penalties. Under federal law, states must recover certain types of overpayments by offsetting an individual's federal income tax refund payment through the Treasury Offset Program, including overpayments due to fraud and overpayments due to misreported work and earnings.[36] Similarly, states may also offset overpayments with monies owed to the individual from state tax refunds or lottery winnings, or the state can compel repayment by pursuing civil action in state court. Some state laws may also include provisions for denying or suspending professional licenses of persons owing an overpayment of UI benefits.

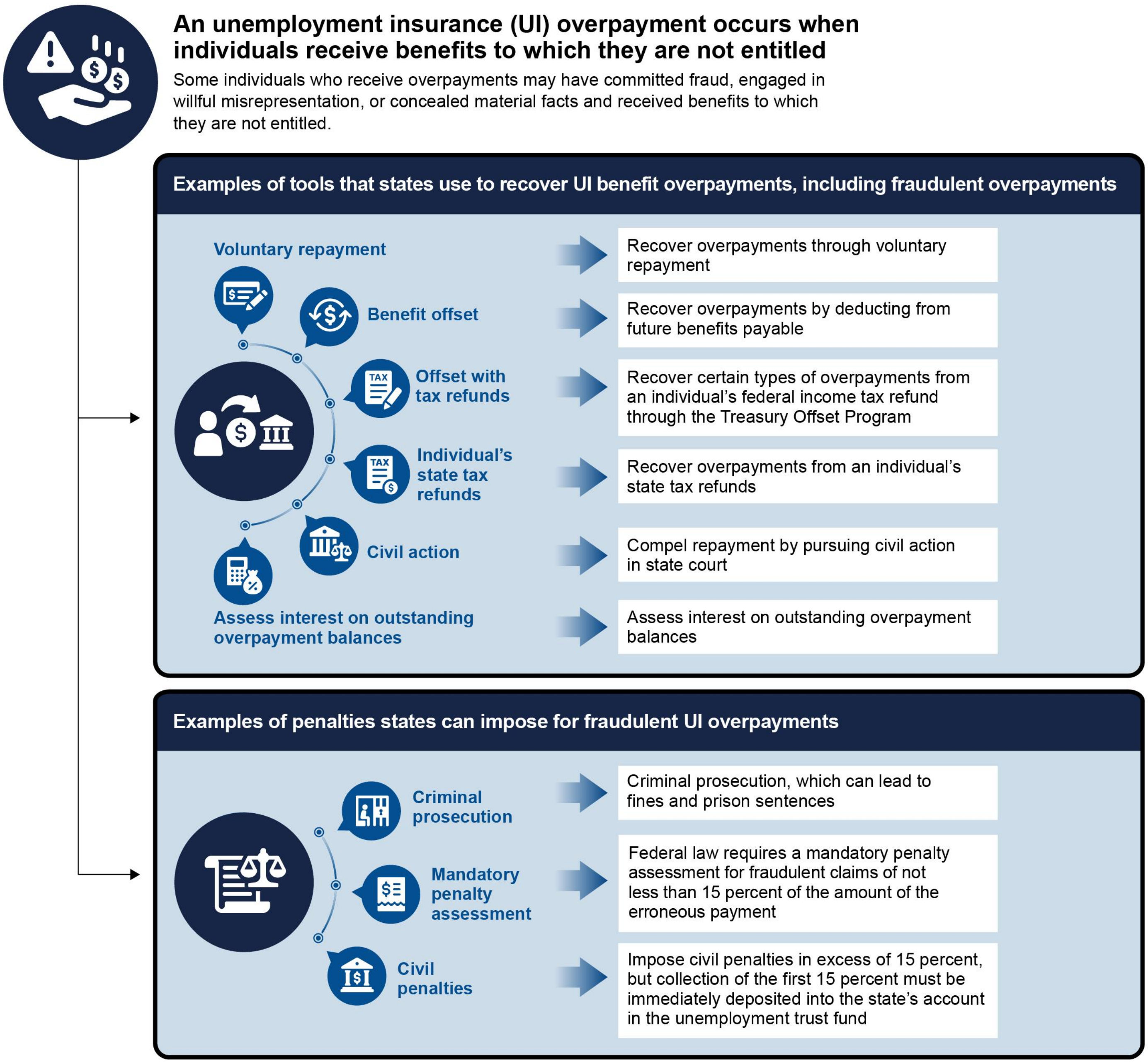
For overpayments due to fraud, states may bring criminal charges, which can lead to fines and prison sentences. Federal law requires a mandatory penalty assessment for fraudulent claims of not less than 15 percent of the amount of the erroneous payment against claimants committing fraud in connection with states' or federal UI programs.[37] Figure 1 illustrates examples of how states recover overpayments and penalties for fraudulent overpayments.

[35]Because states may use different definitions for categorizing an overpayment as fraudulent, an overpayment that is classified as fraudulent in one state might not be classified as fraudulent in another state.

[36]42 U.S.C.§ 503(a)(5).

[37]Although UI benefit fraud typically involves an individual's attempt to obtain or increase benefits, it also includes employers who attempt to prevent or reduce benefits to eligible individuals, and employers who help an individual attempting to fraudulently claim benefits. 42 U.S.C. § 503(a)(11).

Figure 1: Examples of Tools That States Use to Recover Overpayments, and Penalties for Fraudulent Overpayments



Sources: GAO analysis of Department of Labor information; Icons-Studio/stock.adobe.com (icons). | GAO-23-106696

Accessible Data for Figure 1: Examples of Tools That States Use to Recover Overpayments, and Penalties for Fraudulent Overpayments

An unemployment insurance (UI) overpayment occurs when individuals receive benefits to which they are not entitled

Some individuals who receive overpayments may have committed fraud, engaged in willful misrepresentation, or concealed material facts and received benefits to which they are not entitled.

Examples of tools that states use to recover UI benefit overpayments, including fraudulent overpayments

- Voluntary repayment
Recover overpayments through voluntary repayment

- Benefit offset
Recover overpayments by deducting from future benefits payable.

- Offset with tax refunds
Recover certain types of overpayments from an individual's federal income tax refund through the Treasury Offset Program

- Individual's state tax refunds
Recover overpayments from an individual's tax refunds

- Civil action
Compel repayment by pursuing civil action in state court

- Assess interest on outstanding overpayment balances
Assess interest on outstanding overpayment balances

Examples of penalties states can impose for fraudulent UI overpayments

- Criminal prosecution
Criminal prosecution, which can lead to fines and prison sentences.

- Mandatory penalty assessment
Federal law requires a mandatory penalty assessment for fraudulent claims of not less than 15 percent of the amount of the erroneous payment

- Civil penalties
Impose civil penalties in excess of 15 percent, but collection of the first 15 percent must be immediately deposited into the state's account in the unemployment trust fund

States can write off fraudulent overpayments after exhausting all options to recover them and deem them unrecoverable. After exhausting options to recover overpayments, most states will permit the SWA to write off certain types of overpayments—meaning that the SWA will remove the debt from its books as being uncollectible. Writing off an overpayment is not the same as a state waiving recovery of an overpayment. Writing off an overpayment is an accounting procedure and does not impact the state's legal right to collect an overpayment, should the opportunity arise. States may choose to write off overpayments based on how long the overpayment has been outstanding (i.e., age of the overpayment), or in cases of bankruptcy or death of the individual.

Under certain circumstances, the state may waive the recovery of the overpayment. To waive the recovery of pandemic UI benefit overpayments, states must determine that the individual is not at fault and that overpayment repayment would be contrary to equity and good conscience. For example, states may waive the recovery of overpayments when the overpayment is due to an agency or employer error.[38] The CARES Act provides authority for all states to opt to waive recovery of certain nonfault overpayments of pandemic UI benefits in cases where the recoupment would be against equity and good conscience.[39] Additionally, there are limited circumstances under the CARES Act in which states may use blanket waivers of certain nonfault overpayments.[40] Waiving recovery of an overpayment involves the state waiving its legal rights to collect an overpayment.

Prior GAO Recommendations Intended to Improve the UI System

Since 2018, GAO has made 26 recommendations to DOL to improve the UI system. As of August 2023, DOL has implemented ten of those recommendations. However, 16 recommendations—including four involving fraud risk management—have either not been implemented or only partially addressed.

- Three recommendations—including one priority recommendation and two other recommendations related to fraud risk management—have

[38]According to DOL documentation, the following 11 states do not have waivers from overpayment recovery: Delaware, Kentucky, Mississippi, Missouri, Nebraska, New Mexico, New York, Oklahoma, Puerto Rico, Texas, and West Virginia.

[39]Pub. L. No. 116-136, §§ 2104(f)(2), 2105(f), 2107(e)(2), 134 Stat at 319-327; Pub. L. No. 116-260, div. N, tit. II, § 201(d), 134 Stat. 1182, 1952.

[40]DOL's Unemployment Insurance Program Letter (UIPL) No. 20-21, Change 1, provided guidance to states on the permissible use of blanket waivers.

been partially addressed, meaning that the agency has completed action(s) that contribute to implementation but has not yet completed all actions to fully implement the recommendation.[41]

- Thirteen recommendations—including two related to fraud risk management—have not yet been implemented. Three of these are priority recommendations.

GAO continues to monitor the implementation status of these recommendations. See appendix II for a list of the 26 GAO recommendations.

Estimated UI Program Fraud during the Pandemic Ranges from $100 Billion to $135 Billion

We estimate that the fraud in UI programs during the pandemic—from April 2020 through May 2023—was likely between $100 billion and $135 billion. This represents about 11 percent and about 15 percent, respectively, of the total amount of UI benefits paid during the pandemic.

This estimate covers the period from April 2020 (first full month of payments from all UI programs) to May 2023 (end of the public health emergency) and all 53 states that participated in the regular UI and pandemic UI programs.

As part of our work to calculate this estimate, we separated UI expenditures by whether the expenditures were associated with the PUA program, which had a unique fraud risk profile. Given the time frame of this review, we were not able to obtain sufficient evidence about the PUA program to report a separate statistical estimate for that program. Instead, we designed our procedures such that when the total evidence of PUA and non-PUA payments was considered together, the combined evidence

[41]Priority recommendations are those that GAO believes warrant priority attention from heads of key departments or agencies. They are highlighted because, upon implementation, they may significantly improve government operations, for example, by realizing large dollar savings; eliminating mismanagement, fraud, and abuse; or making progress toward addressing a high risk or fragmentation, overlap, or duplication issue.

was sufficient to support an overall estimate of the extent of fraud in the UI programs during our review.[42]

Judicial or other adjudicative systems make final determinations of whether any given UI claim is fraudulent. Fraudulent activities frequently go undetected due to their deceptive nature and the limited resources available to investigate and adjudicate fraud. We designed this range to capture the extent of fraudulent activity, regardless of whether that activity was previously detected or adjudicated. Because not all potential fraud will be investigated and adjudicated through judicial or other systems, the full extent of UI fraud during the pandemic will likely never be known with certainty. Due to our use of statistical methods and the uncertainty associated with estimating fraud without final adjudications, the actual amount of fraud could be greater than or less than our estimated range. See appendix I for more detailed information on the methodology we used to estimate fraud in the UI programs during the pandemic, including the limitations and assumptions associated with the analysis.

We have previously estimated the extent of fraud in the UI programs. In December 2022, we estimated that at least $60 billion in fraudulent UI payments were made to claimants by extrapolating the lower bound of DOL's 2021 estimated national fraud rate for the regular UI program to total UI spending.[43] However, we concluded that the actual amount of fraud in UI programs during the pandemic could be substantially higher than the estimated $60 billion lower limit.

We now estimate that the amount of fraud was higher, with our new range of $100 billion to $135 billion falling above the lower limit that we reported in December 2022. To calculate our previous lower limit, we relied on existing evidence about the extent of fraud in the UI programs. Our current range extended this work through a substantial methodology

[42]In this context, sufficiency depends on the precision of the estimate. The precision of our overall estimate is captured by the width of our reported range, which accounts for the statistical uncertainty associated with both the PUA and non-PUA payments at the 95 percent confidence level. We do not report our range at the 95 percent confidence level because statistical intervals do not capture the uncertainty associated with identifying which cases in the sample were fraudulent. To reduce this latter source of uncertainty, we leveraged multiple data sources and review procedures. (See app. I for more details).

[43]GAO-23-105523.

employing independent sampling and modeling work.[44] In addition, our analysis supports the presence of higher fraud rates for PUA payments, which matches our previous reporting about the increased fraud risk associated with the PUA program.[45]

In February 2023, the DOL OIG estimated that at least $191 billion in UI payments during the pandemic could have been improper, with a significant portion attributable to fraud.[46] We did not estimate improper payments, but our findings are generally consistent with the DOL OIG's statement regarding the significance of fraud in the UI programs.

DOL Has Allocated $1.4 Billion in Assistance to States and Is to Track Funds through Quarterly Reporting

DOL Allocated about $1.4 Billion and Awarded $872 Million in CARES Act and ARPA Funds for Fraud Prevention Efforts

DOL initially allocated over $2 billion in CARES Act and ARPA funding to states for initiatives including fraud prevention; detection; investigation; and overpayment recovery, among others.[47] As part of the FRA rescission, in July 2023, DOL officials revised APRA spending plans and issued updated funding allocations. ARPA funding was reduced by $639 million from the original allocation in the following three categories: (1)

[44]As described earlier, we relied on DOL's BAM program to estimate the total fraud in the regular UI program, PEUC, MEUC, Extended Benefits, and the portion of FPUC payments that were not associated with PUA claims. To estimate fraud in the PUA program, including FPUC payments associated with PUA claims, we selected a generalizable sample of PUA payments and then reviewed the payments for fraud risk using multiple public and nonpublic data sources. We also developed an econometric model to predict the level of PUA benefit payments if all states were comprehensively implementing fraud prevention tools or processes, using explanatory variables that captured a broad range of state-level conditions, such as states' COVID-19 disease burden.

[45]GAO-23-105523.

[46]Larry D. Turner, Inspector General, Department of Labor, Office of Inspector General, testimony before the House of Representatives Committee on Ways and Means, 118th Cong., 1st sess., February 8, 2023.

[47]Allocated amounts represent the maximum amount of funds available for states to apply for in each of these grants.

Tiger Team funding was reduced by $86 million, (2) fraud prevention was reduced by $100 million, and (3) IT modernization was reduced by $453 million.

After accounting for the rescission, DOL's revised allocation of ARPA funding resulted in about $1.4 billion in funding allocated to states. This figure includes a total of $525 million in CARES Act funding to address fraud in the pandemic UI programs and over $879 million in ARPA funding to address fraud, increase equity, reduce backlogs, and undertake other initiatives.[48] According to DOL guidance, any remaining ARPA funds that have not been allocated for financial assistance could eventually be used to procure identity verification tools for states. Table 1 provides a summary of financial assistance as of July 2023.

Table 1: Coronavirus Aid, Relief, and Economic Security (CARES) Act and American Rescue Plan Act (ARPA) Unemployment Insurance (UI) Financial Assistance for Fraud Prevention Efforts, July 2023

Funding source	Announcement date	Funding allocated (dollars)	Examples of allowable uses	UI programs
CARES Act	August 2020	100,000,000	• Prevent and detect fraud and identity theft • Recover fraudulent overpayments • Investigate fraud	Pandemic Unemployment Assistance (PUA), Pandemic Emergency Unemployment Compensation (PEUC)
	January 2021	100,000,000	• Identity verification • Prevent and detect fraud • Investigate fraud • Recover fraudulent overpayments	PUA, PEUC
	August 2021	100,000,000	• Identity verification • Prevent and detect fraud and identity theft • Recover fraudulent overpayments	PUA, PEUC

[48]This amount reflects the partial impact of the FRA's rescission of $1 billion from the original ARPA grant funding amount.

Funding source	Announcement date	Funding allocated (dollars)	Examples of allowable uses	UI programs
	July 2022	225,000,000	• Detect fraud • Recover overpayments	PUA, PEUC, Federal Pandemic Unemployment Compensation (FPUC)
Total CARES Act		**525,000,000**		
ARPA	August 2021	260,000,000	• Remove access barriers • Reduce backlogs • Improve timeliness • Increase equity in fraud detection	All programs
	August 2021	140,000,000	• Identity verification • Prevent and detect fraud • Improve data management • Improve cybersecurity • Recover overpayments	All programs
	November 2021	160,121,650[a]	• Fund expert “Tiger Teams” consultations • Prevent and detect fraud • Recover fraudulent overpayments • Promote equitable access • Reduce backlogs • Improve timeliness	All programs
	December 2021	1,200,000[b]	• Modernize UI information technology system pilot program	All programs
	January 2022	18,025,506	• Improve timeliness • Help workers navigate UI application process	All programs

Funding source	Announcement date	Funding allocated (dollars)	Examples of allowable uses	UI programs
	July 2023	100,000,000	• Identity verification • Prevent and detect fraud • Overpayment recovery	All programs
	July 2023	200,000,000[c]	• Modernize UI information technology systems	All programs
Total ARPA		**879,347,156**		
Total funding		**1,404,347,156**		

Source: GAO analysis of Department of Labor information. | GAO-23-106696

[a]The November 2021 funding includes $114 million in grants to states for implementing improvements to their UI systems. The remaining $46 million has been used to fund the expert Tiger Team consultations. Tiger Teams are UI experts that work with states to identify process challenges and areas of improvement.

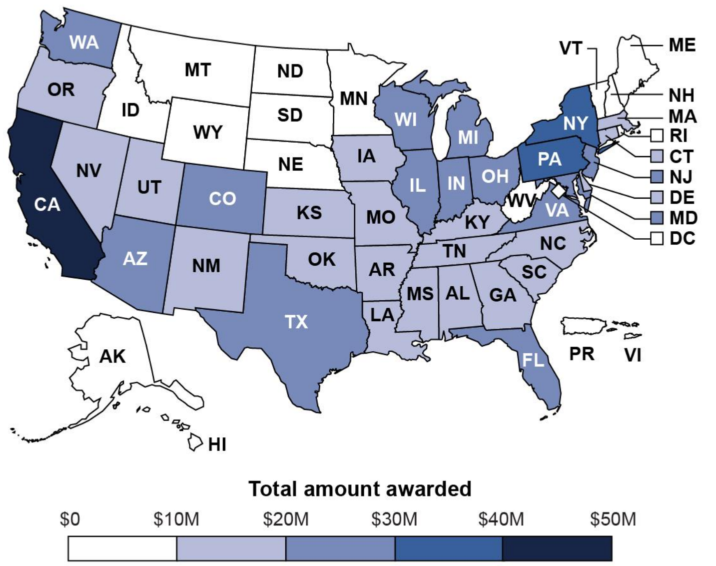
[b]DOL Announcement TEN [Training and Employment Notice]16-21, issued in December 2021, initially announced up to $600,000 to selected states but awarded $1.2 million as an additional state was selected for participation, as of May 2023.

[c]States could apply for funding up to $11.25 million, regardless of size.

DOL allowed states to apply for and be awarded financial assistance up to a fixed amount. For much of the financial assistance, DOL determined the amount of financial assistance allocated to states based on either the 12-month average of UI-covered employment in the state or a combination of covered employment and the number of first payments made.[49] According to DOL Office of UI Modernization officials, not all states applied for the financial assistance available. As of May 2023, DOL awarded $872 million to states in financial assistance. Of the $872 million, about $398 million was awarded from ARPA funding and about $475 million from the CARES Act. Figure 2 shows how much financial assistance each state has been awarded.

[49]Covered employment refers to the number of employees covered by UI reported to the states by employers.

Figure 2: Department of Labor (DOL) Financial Assistance Awarded to States, May 2023



Sources: GAO analysis of Department of Labor data; Map Resources (map outline). | GAO-23-106696

Accessible Data for Figure 2: Department of Labor (DOL) Financial Assistance Awarded to States, May 2023

State	Total amount awarded	Range
Alabama	$16,390,322	$10,000,000 to $19,999,999
Alaska	$6,238,991	$0 to $9,999,999
Arizona	$29,182,281	$20,000,000 to $29,999,999
Arkansas	$10,226,684	$10,000,000 to $19,999,999
California	$40,911,465	$40,000,000 to $49,999,999
Colorado	$26,127,555	$20,000,000 to $29,999,999
Connecticut	$15,794,849	$10,000,000 to $19,999,999
Delaware	$10,319,842	$10,000,000 to $19,999,999
District of Columbia	$8,634,624	$0 to $9,999,999
Florida	$23,795,789	$20,000,000 to $29,999,999
Georgia	$15,726,189	$10,000,000 to $19,999,999
Hawaii	$8,845,328	$0 to $9,999,999
Idaho	$8,608,747	$0 to $9,999,999
Illinois	$25,094,049	$20,000,000 to $29,999,999
Indiana	$22,206,376	$20,000,000 to $29,999,999

State	Total amount awarded	Range
Iowa	$13,327,338	$10,000,000 to $19,999,999
Kansas	$18,308,817	$10,000,000 to $19,999,999
Kentucky	$16,947,071	$10,000,000 to $19,999,999
Louisiana	$11,084,688	$10,000,000 to $19,999,999
Maine	$9,535,575	$0 to $9,999,999
Maryland	$22,818,913	$20,000,000 to $29,999,999
Massachusetts	$11,083,800	$10,000,000 to $19,999,999
Michigan	$27,823,810	$20,000,000 to $29,999,999
Minnesota	$4,860,000	$0 to $9,999,999
Mississippi	$15,068,629	$10,000,000 to $19,999,999
Missouri	$17,923,800	$10,000,000 to $19,999,999
Montana	$7,155,992	$0 to $9,999,999
Nebraska	$9,523,254	$0 to $9,999,999
Nevada	$19,908,013	$10,000,000 to $19,999,999
New Hampshire	$9,718,695	$0 to $9,999,999
New Jersey	$24,517,615	$20,000,000 to $29,999,999
New Mexico	$11,833,778	$10,000,000 to $19,999,999
New York	$34,315,180	$30,000,000 to $39,999,999
North Carolina	$17,923,800	$10,000,000 to $19,999,999
North Dakota	$3,862,417	$0 to $9,999,999
Ohio	$24,417,298	$20,000,000 to $29,999,999
Oklahoma	$14,740,241	$10,000,000 to $19,999,999
Oregon	$19,411,467	$10,000,000 to $19,999,999
Pennsylvania	$31,206,763	$30,000,000 to $39,999,999
Puerto Rico	$9,905,996	$0 to $9,999,999
Rhode Island	$9,255,707	$0 to $9,999,999
South Carolina	$16,103,076	$10,000,000 to $19,999,999
South Dakota	$8,460,169	$0 to $9,999,999
Tennessee	$14,874,660	$10,000,000 to $19,999,999
Texas	$29,994,524	$20,000,000 to $29,999,999
Utah	$11,550,670	$10,000,000 to $19,999,999
Vermont	$4,803,745	$0 to $9,999,999
Virgin Islands	$2,430,000	$0 to $9,999,999
Virginia	$26,496,795	$20,000,000 to $29,999,999
Washington	$25,991,442	$20,000,000 to $29,999,999
West Virginia	$8,849,212	$0 to $9,999,999

State	Total amount awarded	Range
Wisconsin	$28,332,104	$20,000,000 to $29,999,999
Wyoming	$7,156,000	$0 to $9,999,999

According to officials from six selected states, they used CARES Act and ARPA financial assistance to perform such things as

- administer fraud detection and prevention initiatives, including identity verification and multifactor authentication software,
- improve and expand overpayment recovery efforts,
- improve the availability of translation services,
- reduce backlogs through process improvements and additional staffing,
- improve the claimant experience with chatbots and enhanced self-service portals,[50] and
- fund staff working on pandemic UI program reporting.

Appendix III provides a list of CARES Act and ARPA financial assistance that DOL allocated and awarded to each state.[51]

Tiger Team initiative. DOL provided technical assistance to states separate from grants. Specifically, DOL provided expert assistance to states through its Tiger Team initiative and established mechanisms to facilitate state identity proofing. With funding provided by ARPA, DOL allocated grant funds of up to approximately $114 million to support states in improving UI systems and processes, which included addressing fraud prevention and detection. As of April 2023, DOL had allocated $46 million in additional ARPA funds via contracts for state Tiger Team consultations. Through these contracts, multidisciplinary Tiger Teams are to analyze state UI systems and work with states to identify process challenges and areas of improvement. The Tiger Teams have been composed of staff with expertise on UI systems from DOL, the National Association of State

[50]A chatbot is an interactive and automated system that can answer questions for claimants and that frees up staff to assist claimants more efficiently.

[51]Awards represent the amount of funds that DOL approved states to receive after the application process.

Workforce Agencies, and a consulting firm.[52] Tiger Teams are to work with states to identify ways to enhance their systems and processes by making actionable recommendations. States utilize grant funding provided by DOL to make near-term improvements recommended by the Tiger Teams. The recommendations that states receive, and the corresponding improvements that states make with the funding, must align with three pillars of ARPA:

- Equitable access
- Fraud prevention, detection, and recovery
- Payment timeliness and backlog reduction

The Tiger Team initiative has two phases: (1) a consultative assessment and recommendations phase and (2) a subsequent funding and implementation of potential solutions phase. During the Tiger Team consultative assessment and recommendations phase, SWAs are to work directly with the Tiger Team to identify areas of improvement within the state UI system. Once the recommendations are finalized, the Tiger Teams are to negotiate with the SWA to determine which recommendations to fund and implement. SWAs then apply for grant funding from DOL to implement the agreed-upon recommendations.

According to DOL, both phases of the Tiger Team initiative are underway. For consultative assessments and recommendations, DOL officials stated that as of May 2023, 45 states had applied for Tiger Team consultations; of these[53]

- five states had Tiger Team consultations in process;
- 11 states have not started the Tiger Team consultations;[54] and

[52]Each Tiger Team should be comprised of experts, including a fraud specialist, equity/customer experience specialist, UI program specialist, business intelligence analysts, computer systems engineer/architect, and project manager. See Department of Labor, *Grant Opportunity to Support States Following a Consultative Assessment for Fraud Detection and Prevention, Promoting Equitable Access, and Ensuring the Timely Payment of Benefits, including Backlog Reduction, for all Unemployment Compensation (UC) Programs,* UIPL No. 02-22 (Washington, D.C.: Nov. 2, 2021).

[53]From UIPL No. 02-22, Change 2, the deadline for states to express their interest in participating in this initiative was March 31, 2023.

[54]DOL stipulates a period of performance for Tiger Team funding, but DOL officials said that states could request additional time to use the funds. As a result of the FRA, states that did not begin the consultative assessment as of June 30, 2023, are not eligible for implementation grant funding.

- 29 states have completed their Tiger Team consultations, which resulted in 301 recommendations to states.

The Tiger Teams are to develop recommendations aligned with the three pillars of ARPA, with a focus on recommendations that states can more readily implement. Of the six selected states, three are reported to be in the process of funding and implementing Tiger Team recommendations and have aligned their funding based on the three pillars. Tiger Team recommendations to these selected states included developing plain language materials and collecting additional data from applicants to analyze barriers to access.[55] In addition, to improve fraud prevention, detection, and recovery efforts, recommendations have been made to improve identity authentication software and UI system security, including creating a fraud data warehouse. Finally, recommendations have been made to improve payment timeliness and reduce backlogs, which included automating internal UI system processes and implementing dynamic fact-finding for employment separations.[56] Of the three remaining selected states without recommendations:

- one is currently engaged in the consultative assessment and recommendations phase,
- one has expressed interest but is not yet participating, and
- one chose not to participate in the initiative.

See figure 3 for the recommendations that selected states have reported implementing that align with the three pillars.

[55]Tiger Team documents suggest that plain-language materials may also help reduce improper payments through (1) increased compliance with UI policies and (2) reduced claimant errors.

[56]Dynamic fact-finding is an automated process that asks claimants a series of questions to determine the reason for their employment separation (i.e., fired, laid off, quit).

Figure 3: Tiger Team Recommendations That Selected States Have Reported Implementing That Align with the Three Pillars

Sources: GAO analysis of state workforce agency information; Icons-Studio/stock.adobe.com (icons). | GAO-23-106696

Accessible Data for Figure 3: Tiger Team Recommendations That Selected States Have Reported Implementing That Align with the Three Pillars

Equitable access

- Plain language
- Equity data collection

Fraud prevention, detection, and recovery

- Identity authentication software
- Fraud data integration

Timely payments and backing reduction

- Process automation
- Dynamic fact-finding

Note: Tiger Team recommendations may fit under multiple program pillars, and the figure is not a comprehensive representation of what applies under each pillar.

Identity-proofing mechanisms. Identity fraud was a major contributor to UI fraud during the pandemic. DOL provided states with two channels to acquire identity-proofing software to help reduce fraud. First, the agency established a Blanket Purchase Agreement (BPA) for states to procure identity-proofing services.[57] It competitively awarded BPAs to three identity-proofing vendors: LexisNexis, V3Gate, and TransUnion. DOL officials told us that they spent roughly $285,000 to test the identity-proofing services integration with state UI systems. As of May 2023, no states have utilized the BPA to procure identity-procurement services. Officials from our six selected states said that they did not use the BPA for a variety of reasons. For example, officials from one state said that

[57]A BPA is an agreement established with a supplier to fill a repetitive need for services. BPAs streamline the ordering process. Federal Acquisition Regulation § 13.303.

they had to comply with their own state's procurement process. Officials from another state said that their state had significant buying power and did not need to use the BPA. Officials from the other selected states said that they had already acquired identity-proofing services or had existing relationships with vendors.

Second, DOL also collaborated with states to provide identity verification services through the General Service Administration's Login.gov and the U.S. Postal Service to provide states with both online and in-person identity proofing. Arkansas was the first state to implement Login.gov integration through a pilot initiative from November 2021 through June 2022. In July 2023, DOL offered to provide online and in-person identity proofing to states through Login.gov and the U.S. Postal Service. DOL is planning to use ARPA funds to cover two years of transaction costs for these services, depending on the availability of funding.

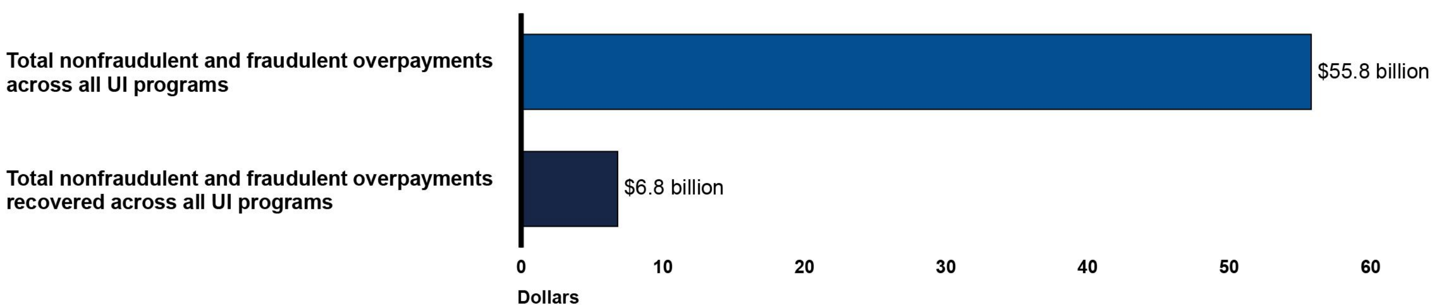
DOL Is to Track the Use of Financial and Technical Assistance through Quarterly Reports

According to DOL officials, the agency's Employment and Training Administration (ETA) is to track states' use of financial and technical assistance through quarterly reporting. States are required to provide ETA with quarterly narrative progress and financial reports. DOL officials said that regional offices are to review these reports and monitor the use of these funds. According to DOL's guidance, ETA is to use the quarterly progress reports to track each state's progress in implementing the agreed-upon Tiger Team recommendations with the funds that DOL provided, along with other funded projects. The quarterly reports should identify the specific agreed-upon recommendations being implemented and specific outcome metrics as they relate to those activities, as well as ensuring that the state's use of funds is consistent with the allowable use of funds. The reports should also contain updates on all grant obligations and disbursements made by the states. The data collected from the reports are to be used by ETA to assess the effectiveness of programs, monitor compliance with statutory limitations, and analyze financial activity. In addition to quarterly reporting, officials from a selected state also said that ETA regional office staff have frequent discussions with states regarding the use of funds.

States Have Reported Billions in UI Overpayments, Recoveries, Write-Offs, and Waivers to DOL

Based on the most recent data available, as of May 1, 2023, states have reported identifying about $55.8 billion in established fraudulent and nonfraudulent overpayments across all UI programs from March 2020—the beginning of the pandemic—through March 2023. States also reported recoveries of about $6.8 billion, which is approximately 12 percent of overpayments identified during the same period. All identified overpayments are reported during the period in which they are established, and recovered funds are reported as they are collected. However, recoveries can take many years to collect, and states can modify recovery figures daily, which makes comparisons between overpayments and recoveries difficult.[58] Figure 4 illustrates the total amount of UI overpayments and recoveries that states reported for this period.

Figure 4: Total State-Reported Established Overpayment and Recovery Amounts for all Unemployment Insurance (UI) Programs, March 2020 – March 2023 (as of May 1, 2023)



Source: GAO analysis of Department of Labor data. | GAO-23-106696

Accessible Data for Figure 4: Total State-Reported Established Overpayment and Recovery Amounts for all Unemployment Insurance (UI) Programs, March 2020 – March 2023 (as of May 1, 2023)

Category	Dollar amount
Total nonfraudulent and fraudulent overpayments across all UI program	$55.8 billion
Total non fraudulent and fraudulent overpayments recovered across all UI programs	$6.8 billion

[58] In ongoing work, we are reviewing agency COVID-19 overpayment recovery efforts, including those for UI systems.

Note: All overpayments are reported during the period in which they are established, and recovered funds are reported as they are collected. However, recoveries can take many years, which makes comparisons between overpayments and recoveries difficult. Additionally, some states did not report totals for the pandemic UI programs during our review time frame. Specifically, three states did not report information for Pandemic Unemployment Assistance (PUA), three states did not report information for Pandemic Emergency Unemployment Compensation (PEUC), two states did not report information for Federal Pandemic Unemployment Compensation (FPUC), and 19 states did not report information for Mixed Earner Unemployment Compensation (MEUC).

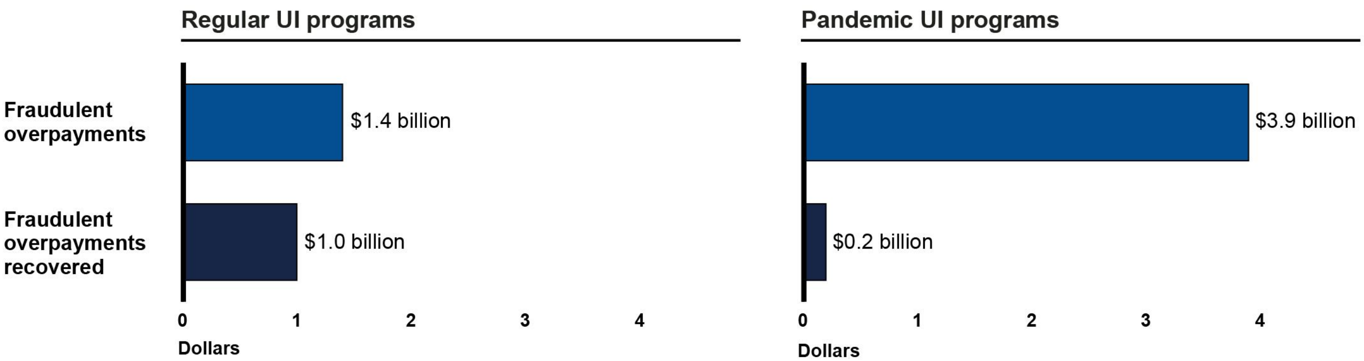
States Have Reported Fraudulent UI Overpayments, Recoveries, and Write-Offs

As of May 1, 2023, states reported identifying about $5.3 billion in established fraudulent UI overpayments for regular and pandemic UI programs from March 2020 through March 2023. States also reported recoveries of about $1.2 billion, which is approximately 23 percent of fraudulent UI overpayments identified during this period. Specifically, as related to fraudulent overpayments and recoveries, states reported identifying about

- $1.4 billion in fraudulent overpayments and about $1 billion in recoveries for the regular UI program, and
- $3.9 billion in fraudulent overpayments and $214 million in recoveries for the pandemic UI programs.

Figure 5 provides the fraudulent UI overpayment amounts and recoveries for the regular and pandemic UI programs reported by states during this period. Appendix IV provides amounts of fraudulent overpayments and recoveries reported by each state for both the regular and pandemic UI programs.

Figure 5: Total State-Reported Established Fraudulent Overpayment Amounts for Unemployment Insurance (UI) Programs, March 2020 – March 2023 (as of May 1, 2023)



Source: GAO analysis of Department of Labor data. | GAO-23-106696

Accessible Data for Figure 5: Total State-Reported Established Fraudulent Overpayment Amounts for Unemployment Insurance (UI) Programs, March 2020 – March 2023 (as of May 1, 2023)

Category	Regular UI programs	Pandemic UI programs
Fraudulent overpayments	$1.4 billion	$3.9 billion
Fraudulent overpayments recovered	$1.0 billion	$0.2 billion

Note: All overpayments are reported during the period in which they are established, and recovered funds are reported as they are collected. However, recoveries can take many years, and some of the overpayment recoveries for the regular UI program are from overpayments established prior to the pandemic, which makes comparisons between overpayments and recoveries difficult. Additionally, some states did not report totals for the pandemic UI programs during our review time frame. Specifically, three states did not report information for Pandemic Unemployment Assistance (PUA), three states did not report information for Pandemic Emergency Unemployment Compensation (PEUC), two states did not report information for Federal Pandemic Unemployment Compensation (FPUC), and 19 states did not report information for Mixed Earner Unemployment Compensation (MEUC).

Potential overpayments may be identified through a variety of methods, such as cross-matches or fraud hotline tips. For example, states may review interstate benefit matches to identify duplicate claims filed in other states and under other UI programs. States must conduct an investigation before issuing an official determination that an overpayment has been made. Also, in the course of the investigation, states may determine that the overpayment was due to fraud.

According to DOL officials, states do not report fraudulent UI overpayments until investigations are complete and fraud has been confirmed, which may take a long time to establish. States must ensure that individuals that have the overpayment receive an opportunity to respond and to present evidence before making an overpayment determination.

Officials from the six selected states said that they have taken a variety of actions to identify and recover fraudulent overpayments. For example, officials from four states reported using a combination of data analytics, such as cross-matching with a variety of databases and a manual review process to determine whether an overpayment was due to willful misrepresentation. Officials from another state reported using a manual review process to establish identity theft cases that had not been flagged by their system. Further, officials from one state reported that they review evidence provided by third parties as part of their fraud determination process. Lastly, officials from one state reported that they focused their recovery efforts on the 75 banks that managed the majority of fraudulent claims.

Table 2 provides information about how the six selected states recover fraudulent overpayments through benefit offset or withholding state income tax refunds.

Table 2: Six Selected State Law Provisions for Recovering Fraudulent Unemployment Insurance (UI) Overpayments

State	Recovery of fraudulent overpayments through benefit offset	Recovery of fraudulent overpayments through benefit offset	State Tax refund
	Percentage that can be withheld from UI weekly benefit	Number of years limited	
California	100%	6 years from mailing the overpayment notice	Yes
Florida	100%	Commenced within 7 years from date overpayment established	Not applicable – due to lack of state income tax
Kansas	100%	No years limited	Yes
Nevada	100%	10 years from date overpayment established	Not applicable – due to lack of state income tax
New York	100%	No years limited	Yes
Washington	100%	No years limited	No

Source: GAO analysis of Department of Labor documents. | GAO-23-106696

DOL officials said that recovering fraudulent overpayments in the pandemic UI programs has been more challenging than the regular UI program because of the differences in the type of fraud primarily being committed. Specifically, in the regular UI program, individuals most commonly commit eligibility fraud by falsifying information on their application in an effort to obtain benefits to which they are not entitled. In contrast, the pandemic UI programs—such as PUA—experienced large amounts of identity fraud in which unknown suspects used stolen identities to receive unemployment insurance benefits. The identification and recovery of overpayments lost to identity fraud requires a coordinated effort with law enforcement partners, which also takes longer to recover than traditional recoveries.

Additionally, a comparison between regular UI overpayment and recovery amounts is difficult. Overpayments and recoveries are reported during the period in which they are established.[59] States are required to report overpayment and recovery data to DOL on a continuous, rolling basis for

[59]An established case is defined as any single issue involving either a fraudulent or nonfraudulent overpayment that has been determined for a claimant within a single calendar month or quarter and for which a formal notice of decision is issued.

regular UI and most pandemic UI programs throughout the reporting quarter.[60] States can also amend prior period data reported—going back many periods–at any time during the quarter, so overpayment and recovery amounts reported can change from day to day. Additionally, since the regular UI program can have established overpayments that occurred prior to the pandemic, SWAs are able to include any recovered UI amounts in their current reporting. As a result, states might report instances where the amount recovered for the regular UI program appears to exceed the amount reported in established overpayments for a given period. The DOL OIG has also previously reported that not all states have provided these reports or have reported accurate data.[61] According to DOL officials, data are not yet available to show if states using ARPA grant funds to assist with overpayment recovery efforts have improved recovery rates.

DOL allows SWAs to write off certain types of overpayments consistent with DOL guidance and statute—meaning that the SWA will remove the debt from their books as being uncollectible. Based on our analysis of state-reported data, states have written off approximately $110 million in fraudulent UI overpayments from March 2020 through March 2023. Five of our six selected states have write-off provisions for fraudulent overpayments after a specified period has passed from the date of establishing the overpayment. Two states write off overpayments once claimants are deceased, and two states write off overpayments in certain cases that have been determined to be noncollectible based on state law. One state does not have a specified period after which amounts are written off. Table 3 provides information on selected states' write-off criteria.

Table 3: Selected State Fraudulent Overpayment Write-Off Criteria

State	Age of the overpayment	Other criteria, if applicable
California[a,b]	6 to 10 years from establishment and no repayment funds received through collection activity in the previous 36 months	Immediately if overpayment is less than $10
Florida[a]	5 years from establishment	Bankruptcy or death
Kansas[a]	10 years from last recorded transaction	Death

[60]States report activity for the PUA program to DOL each month, which includes activities performed during the preceding calendar month.

[61]Department of Labor, Office of Inspector General, Employment and Training Administration, Advisory Report, *CARES Act: Initial Areas of Concern Regarding Implementation of Unemployment Insurance Provisions*, Report no. 19-20-001-03-315 (Washington, D.C.: Apr. 21, 2020).

State	Age of the overpayment	Other criteria, if applicable
Nevada[b]	3 years from establishment	Not applicable
New York[a]	10 years from last action on overpayment and 20 years from date judgment is filed, extended by payment activity	Not applicable
Washington[b]	No period specified	No cost-effective means of collecting

Source: GAO analysis of Department of Labor documents. | GAO-23-106696

[a]Write-off provisions found in policy.

[b]Write-off provisions found in law.

While states are permitted to write off fraudulent UI overpayments, DOL rules do not allow states to waive recovery of fraudulent overpayments. Officials from selected states confirmed that their states did not waive recovery of fraudulent UI overpayments.

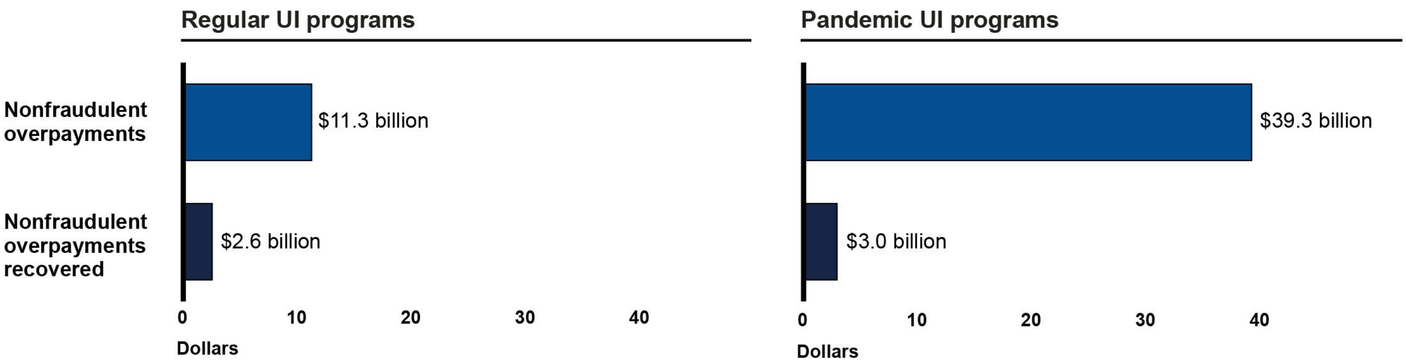
States Have Reported Nonfraudulent Overpayments, Recoveries, Write-Offs, and Waivers

As of May 1, 2023, states reported identifying about $50.5 billion in established nonfraudulent UI overpayments for regular and pandemic UI programs, from March 2020 through March 2023. States also reported recoveries of about $5.6 billion, which is approximately 11 percent of overpayments identified during this period. Specifically, states reported identifying about

- $11.3 billion in nonfraudulent overpayments and $2.6 billion in recoveries for the regular UI program, and
- $39.3 billion in nonfraudulent overpayments and $3.0 billion in recoveries for the pandemic UI programs.

Figure 6 provides the total nonfraudulent overpayment amounts and recoveries for the regular and pandemic UI programs reported by states during this period. Appendix V provides information on the amount of nonfraudulent overpayments and recoveries reported by each state for the regular and pandemic UI programs.

Figure 6: Total State-Reported Established Nonfraudulent Overpayment Amounts for Unemployment Insurance (UI) Programs, March 2020 – March 2023 (as of May 1, 2023)



Source: GAO analysis of Department of Labor data. | GAO-23-106696

Accessible Data for Figure 6: Total State-Reported Established Nonfraudulent Overpayment Amounts for Unemployment Insurance (UI) Programs, March 2020 – March 2023 (as of May 1, 2023)

Category	Regular UI programs	Pandemic UI programs
Nonfraudulent overpayments	$11.3 billion	$39.3 billion
Nonfraudulent overpayments recovered	$2.6 billion	$3.0 billion

Note: Some states did not report totals for the pandemic UI programs during our review time frame. Specifically, three states did not report information for Pandemic Unemployment Assistance (PUA), three states did not report information for Pandemic Emergency Unemployment Compensation (PEUC), two states did not report information for Federal Pandemic Unemployment Compensation (FPUC), and 19 states did not report information for Mixed Earner Unemployment Compensation (MEUC).

Table 4 provides information about how six selected states recover nonfraudulent overpayments through benefit offset.

Table 4: Six Selected State Law Provisions for Recovering Nonfraudulent Unemployment Insurance (UI) Overpayments

State	Recovery of overpayments through benefit offset	Recovery of overpayments through benefit offset
	Percentage that can be withheld from UI weekly benefit	Number of years limiteda
California	25%	6 years from mailing the overpayment notice
Florida	100%	Commenced within 7 years from date overpayment established
Kansas	100%	No years limited
Nevada	50%	5 years from date overpayment established
New York	50%	No years limited
Washington	50% (up to 100%, depending on claimant request)	No years limited

Source: GAO analysis of Department of Labor documents. | GAO-23-106696

[a]These are the state law provisions applicable to the regular UI program. The CARES Act, as amended, statutorily limits benefit offsets for recovering Pandemic Emergency Unemployment Compensation, Mixed Earner Unemployment Compensation, and Federal Pandemic Unemployment Compensation overpayments to three years. This same limitation does not apply to Pandemic Unemployment Assistance.

States also reported writing off about $849 million in nonfraudulent overpayments during this period. As with fraudulent overpayments, most states, after exhausting all options to recover overpayments, allow their respective SWAs to remove certain types of overpayment debts from their books as uncollectible.

For the same period, states reported waiving recovery of about $5.5 billion in nonfraudulent overpayments. DOL defines a waiver within the regular UI program as a nonfraud overpayment for which the state agency, in accordance with state law, relinquishes the obligation of the claimant to repay. For the purposes of pandemic UI programs, waivers are authorized when the overpayment was not the fault of the claimant and requiring repayment would be against equity and good conscience or would otherwise defeat the purpose of the UI law.[62] DOL officials told us that states may waive recovery of nonfraudulent overpayment recoveries for UI programs in accordance with their state law. For example, officials from two states told us that the waiver determination process involves supervisory review of documents, and a long-term hardship must be established in order for an overpayment to be waived. Further, officials from two states told us that they do not waive nonfraudulent overpayments, although one of those states is planning to develop a blanket waiver for overpayments made due to technical errors.[63] Table 5 identifies the types of provisions that the six selected states have in laws regarding waiving recovery of nonfraudulent overpayments.

Table 5: Six Selected State Law Provisions for Waiving Recovery of Nonfraudulent Unemployment Insurance Overpayments

State	Agency error	Employer error	Equity or good conscience	Financial hardship
California	legal provision not applicable	legal provision not applicable	legal provision not applicable	legal provision applicable

[62]Pub. L. No. 116-136, §§ 2104(f)(2), 2105(f),2107(e)(2) 134 Stat at 319-327; Pub. L. No. 116-260, div. N, tit. II, § 201(d), 134 Stat. 1182, 1952.

[63]SWAs may use blanket waivers for overpayments within the UI pandemic programs in accordance with the specific scenarios set forth by DOL in UIPL No .20-21, Change 1 (Feb. 7, 2022).

State	Agency error	Employer error	Equity or good conscience	Financial hardship
Florida	legal provision not applicable	legal provision applicable	legal provision not applicable	legal provision not applicable
Kansas	legal provision applicable	legal provision not applicable	legal provision applicable	legal provision applicable
Nevada	legal provision not applicable	legal provision not applicable	legal provision applicable	legal provision not applicable
New York (New York does not have an overpayment waiver)^	legal provision not applicable	legal provision not applicable	legal provision not applicable	legal provision not applicable
Washington	legal provision not applicable	legal provision not applicable	legal provision applicable	legal provision not applicable

Legend: (—) = legal provision not applicable; ✔ = state applies the legal provision; ^ = New York does not have an overpayment waiver of recovery provision.

Source: GAO analysis of Department of Labor and state workforce agency documents. | GAO-23-106696

Agency Comments and Our Evaluation

We provided a draft of this report to DOL for review and comment. DOL provided written comments, which are reproduced in appendix VI. It also provided technical comments, which we incorporated as appropriate.

In its comments, DOL expressed concerns about the methodology we used to estimate the range of UI fraud presented in the report. Specifically, it noted that our estimate relied heavily on an analysis of cross-matches and case records of a small sub-sample of PUA payments. DOL stated that further analysis would be needed to determine if a case is actually fraudulent. For this reason, DOL believes that our range likely overestimates the level of fraud and that our estimate more reflects an estimate of UI fraud risk, rather than UI fraud.

We disagree with DOL's characterization of our methodology and our estimate, which overlooks the totality of our estimation methodology. As explained in the report and in greater detail in appendix I, our methodology involved estimating a range by combining estimated subpopulation fraud rates and expenditure information associated with non-PUA and PUA programs. For the non-PUA subpopulation of UI payments, we relied on existing estimates from the BAM program. Those estimates are derived from thousands of payment reviews performed by state investigators. For the PUA subpopulation, we relied on data analytic testing along with a manual review of a statistically valid sub-sample of PUA case files. We further validated this sampling work through the use of econometric modeling. When calculating estimates from our PUA sample, we used a two-sided 95-percent confidence interval, which accounted for the uncertainty arising from our sample design and sample size.

We agree with DOL's comment that additional work would be required to determine whether any given case in the sample is actually fraudulent. Judicial and other systems would be needed to make such determinations. Given that not all potential fraud will be investigated and adjudicated through judicial or other systems, the full extent of UI fraud during the pandemic will likely never be known with certainty. Therefore, it is appropriate to rely on estimates, such as ours, to make more comprehensive conclusions about the extent of fraud in the UI programs during the pandemic. In presenting our estimate, we acknowledge the inherent uncertainty associated with any estimate of fraud.

However, we disagree with DOL's conclusion that this uncertainty means our estimated range overstates the amount of fraud that occurred in the UI programs during the pandemic. Given the high threshold we used for identifying potential fraud, the risk of misidentifying nonfraudulent cases as fraud is balanced by the counter risk of failing to identify all of the fraudulent cases in the sample. Moreover, we took multiple steps to reduce the risk of misidentifying nonfraudulent cases as potential fraud. For example, except for deceased beneficiaries, we only treated payments as fraudulent for the purpose of our estimate if multiple fraud indicators were present. In addition, we subjected sampled payments to multiple levels of manual review, which examined the fraud indicators in conjunction with other available case and public information.

Finally, we do not agree that the term "fraud risk" provides a better description of our estimated range of UI fraud. We designed our estimated range to capture, as accurately as possible, the extent of fraudulent activity that occurred in the UI programs, regardless of whether that activity was previously detected or adjudicated. Our range would have been higher if we were attempting to estimate the total dollar value of payments that were at risk of fraud. For example, a large portion of PUA payments have been previously identified by us and the DOL OIG as higher risk of fraud due to the use of self-certification to determine beneficiary eligibility.

As described, our methodology and presentation of the estimate substantively accounts for the concerns raised by DOL. However, as appropriate, we have incorporated clarifying language in this report.

We also provided a draft of this report to officials from the DOL OIG for review. DOL OIG provided technical comments, which we incorporated as appropriate.

In addition, selected excerpts of the draft report were provided to officials from the Alaska, Arizona, California, Colorado, Florida, Georgia, Iowa, Illinois, Kansas, Massachusetts, Michigan, Montana, Nevada, New Jersey, New York, Oregon, Pennsylvania, Rhode Island, South Carolina, Texas, Vermont, and Washington SWAs for review. We made technical corrections or clarifications as needed based on the comments we received from four SWAs. Nine SWAs indicated that they did not have comments and nine SWAs did not respond.

We are sending copies of this report to the appropriate congressional committees, the Acting Secretary of the Department of Labor, and other interested parties. In addition, the report is available at no charge on the GAO website at https://www.gao.gov.

If you or your staff have any questions about this report, please contact Seto Bagdoyan, (202) 512-6722, BagdoyanS@gao.gov or Jared Smith, (202) 512-2700, SmithJB@gao.gov. Contact points for our Offices of Congressional Relations and Public Affairs may be found on the last page of this report. GAO staff who made key contributions to this report are listed in appendix VII.

Seto J. Bagdoyan
Director, Forensic Audits and Investigative Service

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Appendix I: Detailed Information on the Methodology GAO Used to Estimate Fraud in Unemployment Insurance (UI) Programs during the Pandemic

To develop an estimate of fraud (lower and upper range) within UI programs during the COVID-19 pandemic, we combined separate estimates of fraudulent payments associated with

- the regular UI program, Pandemic Emergency Unemployment Compensation (PEUC), Mixed Earner Unemployment Compensation (MEUC), Extended Benefits, and the portion of Federal Pandemic Unemployment Compensation (FPUC) payments that were not associated with Pandemic Unemployment Assistance (PUA) claims;[1] and

[1]We refer to the UI program—excluding both the temporary UI programs created by the Coronavirus Aid, Relief, and Economic (CARES) Act and other legislation, as well as the Extended Benefits program—as the regular UI program and the benefits paid under the program as regular UI benefits. Regular UI benefits are benefits paid by the state under state UI law, Unemployment Compensation for Federal Employees, and Unemployment Compensation for Ex-Service Members programs. The Extended Benefits program, which existed prior to the pandemic, provides up to 13 or 20 additional weeks of benefits when a state is experiencing specific levels of high unemployment. We estimate that 37 percent of FPUC payments were made on top of PUA claims. FPUC benefits are additional payments made on top of existing regular UI or pandemic UI program claims. The amount of the FPUC payment changed throughout the pandemic. We estimated the percent of FPUC attributable to PUA claims by multiplying the number of weekly PUA payments made in a given month by an approximation of the FPUC amount that was relevant for the period. The FPUC amount is an approximation because a claim paid in a given month may be for the benefit from a previous period. For example, a weekly claim paid in April, when the FPUC weekly benefit was $600, might be for a week in March, when the FPUC weekly benefit amount was $0. To test the accuracy of our approach, we compared our results with breakdowns provided by seven state workforce agencies (SWA). Our estimate was close to the percentages reported by the states in all seven cases.

- the PUA program, including FPUC payments associated with PUA claims.[2]

The scope of our effort to develop an estimate of fraud within UI programs was from April 2020—the first full month of pandemic UI program payments—through May 2023—the end of the COVID-19 public health emergency.[3] We estimated the extent of fraud across all 53 state workforce agencies (SWA) across the regular UI and pandemic UI programs.[4] Throughout this report, we use the phrase “fraud estimate” or “estimate of fraud” to refer to estimates that attempt to quantify the extent of fraud, regardless of whether such fraud has already been detected and adjudicated. For the purpose of estimation, additional uncertainty arises in situations like the current one where the sampled cases have not yet been adjudicated. We used multiple data sources, review steps, and estimation procedures to reduce this uncertainty, but we cannot eliminate it entirely.

As part of our work to calculate this estimate, we separated UI expenditures by whether the expenditures were associated with the PUA

[2]For fiscal years 2021 and 2022 improper payment reporting, the Department of Labor (DOL) applied the estimated improper payment rate from the Benefit Accuracy Measurement (BAM) program testing of regular UI claims to calculate the estimated improper payment amounts for FPUC and PEUC. Thus, the estimated improper payment amounts for these two programs were incorporated into the overall UI estimated improper payment amount reported for fiscal years 2021 and 2022. However, this overall estimated improper payment amount for UI did not include an estimate for PUA. According to DOL, it did not include PUA in the extrapolation of the BAM estimated improper payment rate because the PUA program served a different population of workers and had different eligibility requirements. DOL did not estimate improper payments for the MEUC program, according to officials, because the program only operated between January and September 2021. Officials explained that in accordance with Office of Management and Budget (OMB) guidance, DOL is not required to estimate or report improper payments for this program because it existed for less than one year. The total federal expenditure for the MEUC program was $78 million through May 31, 2023. We included MEUC in our estimate.

[3]The date range we used to develop the estimate of fraud within UI programs during the pandemic is different compared with the date range we used to determine the financial and technical assistance and the extent that states have recovered, written off, and waived overpayments because, for the estimation of fraud, we used the first full month of pandemic UI program payments rather than the date when the pandemic began.

[4]Fifty-three SWAs administer UI programs across the 50 states, the District of Columbia, Puerto Rico, and the U.S. Virgin Islands.

program, which had a unique fraud risk profile.[5] Given the time frame of this review, we were not able to obtain sufficient evidence about the PUA program to report a separate statistical estimate for that program. Instead, we designed our procedures such that when the total evidence of PUA and non-PUA payments was considered together, the combined evidence was sufficient to support an overall estimate of the extent of fraud in the UI programs during our period of review.[6]

Figure 7 describes key steps we took to derive the estimated fraud in UI programs during the pandemic.

[5]The DOL Office of Inspector General (OIG) reported in October 2020 that the PUA program in particular was at high risk for fraud due to its unique program rules and eligibility requirements. We developed separate procedures to calculate the estimate for the PUA program because of the program's unique fraud risk profile. Department of Labor, Office of Inspector General, *COVID-19: States Cite Vulnerabilities in Detecting Fraud While Complying with the CARES Act UI Program Self-Certification Requirement*, Report No. 19-21-001-03-315 (Washington, DC: Oct. 21, 2020.)

[6]In this context, sufficiency depends on the precision of the estimate. The precision of our overall estimate is captured by the width of our reported range, which accounts for the statistical uncertainty associated with both the PUA and non-PUA payments at the 95 percent confidence level. We do not report our range at the 95 percent confidence level because statistical intervals do not capture the uncertainty associated with identifying which cases in the sample were fraudulent. To reduce this latter source of uncertainty, we leveraged multiple data sources and review procedures.

Figure 7: Selected Steps Taken to Derive the Estimated Fraud in Unemployment Insurance (UI) Programs during the Pandemic

Regular Unemployment Insurance (UI)

Used DOL's BAM program data

For regular UI, we used data from the Department of Labor's (DOL) Benefit Accuracy Measurement (BAM) program, including the estimated fraud rate for all 50 states, the District of Columbia, and Puerto Rico.

Steps taken to extend the scope of the BAM estimate

1. Using the BAM program estimates, we developed a statistical model to impute the regular UI program fraud rate for the first 3 months of the pandemic payments when BAM was suspended.
2. Approximated the BAM fraud rate from January 2023 to May 2023 using the overlapping annual fraud rates reported by DOL through December 2022.
3. Extended the aggregate fraud rate using BAM data from the three major UI programs to the estimated proportion of FPUC not associated with PUA claims and all expenditures from the Extended Benefits, Pandemic Emergency Unemployment Compensation, and Mixed Earner Unemployment Compensation programs.

Calculation of the subpopulation estimate

We used the state-specific UI fraud rate estimates and the imputed values described above to create an aggregate estimated fraud rate for the subpopulation of payments associated with the regular UI program. We also estimated the uncertainty associated with this subpopulation rate.

Pandemic Unemployment Assistance (PUA), including Federal Pandemic Unemployment Compensation (FPUC) payments associated with PUA claims

Selected samples of PUA payments

We obtained the sample of 2,540 PUA payments that DOL designed to estimate an improper payment rate for the PUA program. We then selected a subsample of 260 PUA payments from the 2,540.

Used analysis from the DOL OIG fraud indicators

DOL Office of Inspector General (OIG) used data analytic procedures to identify the presence of fraud indicators in the sample of 2,540 PUA payments, including indicators for multistate claims and shared or suspicious email addresses. The DOL OIG provided these fraud indicators to us.

Additional cross-matching

To identify the presence of additional fraud indicators, we cross-matched the sample of 2,540 PUA payments to the Death Master File and the National Directory of New Hires.

Manual review of PUA payments

We performed additional follow-up on the 260 PUA payments that were sampled from the larger set of 2,540. This follow-up was performed to identify additional fraud risks and to assess the validity of the data analytic steps that were performed on the larger sample of 2,540. The follow-up included the review of PUA case files, discussions with DOL OIG on selected PUA claims, review of publicly available information when applicable, and a cross-match against the Social Security Administration's Enumeration Verification System.

Fraud risk scoring

We created aggregated fraud risk scores for the 260 PUA payments using the results of our manual review.

Fraud model and imputation

We created a statistical model to impute the manually adjusted fraud risk scores from the sample of 260 PUA payments to the larger DOL sample of 2,540 payments.

Calculation of the subpopulation estimate

Based on the imputed indicators for the 2,540 payments and the DOL sample design, we extended our sample results to the broader PUA subpopulation. We also estimated the uncertainty associated with this subpopulation rate. We further supported the reasonableness of our results through the use of econometric modeling.

Combined the subpopulation estimated fraud rates and associated expenditure information to generate a range for the estimated amount of fraud within UI programs during the pandemic.

Sources: GAO analysis (information); Icons-Studio/stock.adobe.com (icons). | GAO-23-106696

Accessible Data for Figure 7: Selected Steps Taken to Derive the Estimated Fraud in Unemployment Insurance (UI) Programs during the Pandemic

Regular Unemployment Insurance (UI)

Used DOL's BAM program data

For regular UI, we used data from the Department of Labor's (DOL) Benefit Accuracy Measurement (BAM) program, including the estimated fraud rate for all 50 states, the District of Columbia, and Puerto Rico.

Steps taken to extend the scope of the BAM estimate

Using the BAM program estimates, we developed a statistical model to impute the regular UI program fraud rate for the first 3 months of the pandemic payments when BAM ———————————————was suspended.

Approximated the BAM fraud rate from January 2023 to May 2023 using the overlapping annual fraud rates reported by DOL through December 2022.

Extended the aggregate fraud rate using BAM data from the three major UI programs to the estimated proportion of FPUC not associated with PUA claims and all expenditures from the Extended Benefits, Pandemic Emergency Unemployment Compensation, and Mixed Earner Unemployment Compensation programs.

Calculation of the subpopulation estimate

We used the state-specific UI fraud rate estimates and the imputed values described above to create an aggregate estimated fraud rate for the subpopulation of payments associated with the regular UI program. We also estimated the uncertainty associated with this subpopulation rate.

Pandemic Unemployment Assistance (PUA), including Federal Pandemic Unemployment Compensation (FPUC) payments associated with PUA claim

Selected Samples of PUA Payments

We obtained the sample of 2,540 PUA payments that DOL designed to estimate an improper payment rate for the PUA program. We then selected a subsample of 260 PUA payments from the 2,540.

Used analysis from the DOL OIG fraud indicators

DOL Office of Inspector General (OIG) used data analytic procedures to identify the presence of fraud indicators in the sample of 2,540 PUA payments, including indicators for multistate claims and shared or suspicious email addresses. The DOL OIG provided these fraud indicators to us.

Additional cross-matching

To identify the presence of additional fraud indicators, we cross-matched the sample of 2,540 PUA payments to the Death Master File and the National Directory of New Hires.

Manual review of PUA payments

We performed additional follow-up on the 260 PUA payments that were sampled from the larger set of 2,540. This follow-up was performed to identify additional fraud risks and to assess the validity of the data analytic steps that were performed on the larger sample of 2,540. The follow-up included the review of PUA case files, discussions with DOL OIG on selected PUA claims, review of publicly available information when applicable, and a cross-match against the Social Security Administration's Enumeration Verification System.

Fraud risk scoring

We created aggregated fraud risk scores for the 260 PUA payments using the results of our manual review.

Fraud model and imputation

We created a statistical model to impute the manually adjusted fraud risk scores from the sample of 260 PUA payments to the larger DOL sample of 2,540 payments.

Calculation of the Sub-population Estimate

Based on the imputed indicators for the 2,540 payments and the DOL sample design, we extended our sample results to the broader PUA subpopulation. We also estimated the uncertainty associated with this subpopulation rate. We further supported the reasonableness of our results through the use of econometric modeling.

Combined the subpopulation estimated fraud rates and associated expenditure information to generate a range for the estimated amount of fraud within UI programs during the pandemic.

For the regular UI program, we used data from DOL's Benefit Accuracy Measurement (BAM) program—which DOL uses to estimate the amount and rate of improper payments, including those caused by fraud—from April 2020 through December 2022. Specifically, we compiled the quarterly and yearly BAM estimated fraud rates and fraud total estimates in the regular UI program by state.

We interviewed officials from 14 SWAs to obtain information about the operation of the pandemic UI programs, potential limitations of the BAM program, state definitions of fraud, and efforts to measure fraud in the pandemic UI programs. We selected the 14 SWAs—Arizona, California, Florida, Georgia, Illinois, Kansas, Michigan, Nevada, New Jersey, New York, Pennsylvania, Rhode Island, Texas, and Washington—to reflect a variety of BAM program fraud rates and state population sizes.[7] Information obtained through interviews was used to help assess the reliability of the estimated fraud rate generated from the BAM program and to better understand factors that SWAs identified as being associated with fraud in both the pandemic and regular UI programs. The fraud rates calculated as part of the BAM program depend on the state definitions of fraud, which differ from state to state.

To determine the applicability of the BAM program fraud estimate, we reviewed the scope of the BAM program. The BAM program includes 52 SWAs and the three major permanent state UI programs.[8] Our engagement scope also includes the U.S. Virgin Islands, even though it is exempt from operating a BAM program. Given the small size of the U.S. Virgin Islands, the impact of any deviation between the BAM program

[7]These 14 states were selected based on different criteria compared with the six SWAs that were selected for interviews to obtain information related to the assistance provided. As previously mentioned, we selected the six SWAs—California, Florida, Kansas, Nevada, New York, and Washington—based on a range of (1) the fraud risk level identified in our first objective, (2) the amount of grant funding received, and (3) the acceptance of DOL's offer of financial and technical assistance.

[8]The three major UI programs covered by BAM are state UI, Unemployment Compensation for Federal Employees, and Unemployment Compensation for Ex-Service Members. We downloaded quarterly BAM data, including the estimated fraud rate, from DOL's website on September 13, 2022; November 1, 2022; and July 10, 2023. https://www.dol.gov/agencies/eta/unemployment-insurance-payment-accuracy/data. The BAM program estimated fraud rates are generated for all 50 states, the District of Columbia, and Puerto Rico. According to DOL's guidance, the U.S. Virgin Islands is exempt from operating a BAM program.

fraud rate and the U.S. Virgin Islands fraud rate would not be material to our total fraud estimate. Our scope also includes PEUC, FPUC, Extended Benefits, and MEUC payments, which are not reviewed by the BAM program. PEUC and Extended Benefits programs provide additional weeks of benefits to claimants who were receiving regular UI benefits. Given the close relationship between these programs and the regular UI program, we assume that the BAM program fraud rate is a reasonable approximation for the fraud rate in the PEUC and Extended Benefits programs. We make the same assumption for the portion of the FPUC payments that were not attributable to the PUA program. Payments for the MEUC program make up less than 0.1 percent of UI program expenditures and so, any differences between the fraud rate estimated using the BAM program and the actual MEUC fraud rate would not have a material impact on our overall results.

Another difference between our scope and available data is that the BAM program was suspended from April 2020 through June 2020. Further, at the time we performed our analysis, BAM data were not available beyond December 2022. Therefore, we used a statistical model to impute the fraud rate for the months where BAM was suspended.[9] We then approximated the BAM program fraud rate from January 2023 to May 2023 using the overlapping annual fraud rates reported yearly by DOL through December 2022.

We also reviewed how BAM program fraud rates were estimated and the limitations in BAM program reporting. Since BAM estimates are derived from statistical samples, the actual rate is expected to lie within 95 percent of the intervals constructed from repeated samples of the same size and selected in the same manner as the BAM sample. In addition to sampling uncertainty, the estimate may be impacted by nonsampling error. One of the limitations is that the BAM program may not cover all potential types of fraud. For example, one state reported that the BAM program may be less effective at detecting employer and employee collusion. Further, states did not always update their BAM program fraud determinations, given subsequent conflicting final adjudications.[10] From

[9]We imputed the fraud rate for the quarter where the BAM program was suspended using DOL's improper payment reporting quarterly data from the first quarter of 2017 through the second quarter of 2021. We developed a linear regression model using explanatory variables including 52 state dummy variables, state population adjusted claim count at each quarter, and whether a quarter was pre-pandemic or not.

[10]For example, one state reported that the appeals and resulting adjudications may not be completed in time for BAM program reporting.

our discussions with SWAs about these sources of uncertainty, we determined that the risk of the BAM program fraud rate being understated due to being unable to detect certain fraud types was higher than the risk of the BAM program fraud rate being overstated due to the differences between BAM investigators' findings and subsequent adjudications.

For the PUA program, we selected a generalizable sample of 260 PUA payments to identify the presence of fraud indicators associated with identity theft and eligibility fraud.[11] The PUA payments we selected were a subsample of DOL's sample of 2,540 PUA payments.[12] We selected the sample of 260 PUA payments from a stratified sample of 14 states—Alaska, California, Colorado, Georgia, Iowa, Illinois, Massachusetts, Montana, New York, Oregon, Pennsylvania, South Carolina, Texas, and Vermont.[13] More details on the sample specification are provided below:

- We stratified the top 10 states which consumed approximately 75 percent of PUA program outlays into two strata—three states with the top outlays (approximately 50 percent of entire spending) from which we selected all three (stratum 1) and a random sample of three states from the rest of seven states (stratum 2). We also

[11]Fraud indicators are characteristics and flags that serve as warning signs suggesting potential for fraudulent activity. Fraud indicators can be used to identify potential fraud and assess fraud risk. They are not proof of fraud. Additional review, investigation, and adjudication is needed to determine if fraud exists. To that end, we will refer claimants with presence of fraud indicators we identified to the DOL OIG for further review and investigation.

[12]DOL selected this sample of payments to review to estimate the PUA improper payment rate. In August 2023, DOL released its estimate of improper payments made from March 2020 to September 2021 under the PUA program, concluding that the PUA program had a total estimated improper payment rate of 35.9 percent. DOL noted that its analysis focused on the broader universe of improper payments, does not isolate fraud, and should not be considered a fraud estimate for the PUA program.

[13]We selected a stratified random sample of states based on PUA expenditure using DOL's original sampling scheme and allocated a random sample of 260 PUA payments across the selected states. These 14 states were selected based on different criteria compared with the 14 SWAs that were selected for interviews to obtain information about the operation of the pandemic UI programs, among other things. As previously mentioned, we selected the 14 SWAs—Arizona, California, Florida, Georgia, Illinois, Kansas, Michigan, Nevada, New Jersey, New York, Pennsylvania, Rhode Island, Texas, and Washington—based on population sizes and BAM-estimated regular UI program fraud rates. Further, these 14 states were selected based on different criteria compared with the six SWAs that were selected for interview to obtain information related to the assistance provided. As previously mentioned, we selected the six SWAs—California, Florida, Kansas, Nevada, New York, and Washington—based on a range of (1) the fraud risk level identified in our first objective, (2) the amount of grant funding received, and (3) the acceptance of DOL's offer of financial and technical assistance.

randomly selected eight states from 16 remaining states (stratum 3).

- For states in stratum 1, we randomly selected eight out of 19 weeks and sampled five PUA payments per week. For states in stratum 2, we randomly selected four out of 19 weeks and sampled five PUA payments per week. Finally, we randomly selected 10 payments from each state in stratum 3.

Methods for identifying the presence of fraud indicators for PUA payments included the following steps.[14]

- The DOL Office of Inspector General (OIG) used data analytic procedures to identify the presence of fraud indicators for the DOL sample of 2,540 payments and provided them to us. The 18 indicators included multistate claims and shared or suspicious emails, among other indicators.
- To identify additional fraud indicators from the DOL sample of 2,540 PUA payments, we conducted data matching to the Death Master File (DMF) to identify potentially deceased individuals.[15] We also conducted data matching to the National Directory of New Hires (NDNH) for quarter 1 of calendar year 2019 through quarter 3 of calendar year 2020 and quarter 1 of calendar year 2021 through quarter 3 of calendar year 2021 to identify claimants' unreported wages.[16]

[14]In this report, we do not detail all fraud indicators we identified so that potential perpetrators of fraud do not become aware of fraud risks or exploit potential weaknesses in the program.

[15]The Social Security Administration (SSA) DMF identifies Social Security number (SSN) holders who are deceased. SSA maintains death data, including names, Social Security numbers, date of birth, and date of death. SSA shares a comprehensive file of this death information, which includes state death data, with certain eligible entities, including SWAs. We used this comprehensive file, which we will call the "full death master file," for our analysis. A subset of the full death master file that does not include state death data is available to the public.

[16]We did not obtain unemployment data for quarter 4 of 2020 because at the time we requested the information, the data for that period were no longer available. NDNH is a national repository of new hire, quarterly wage, and unemployment insurance information reported by employers, states, and federal agencies. NDNH is maintained and used by the U.S. Department of Health and Human Services for the federal child support enforcement program, which assists states in locating parents and enforcing child support orders. DOL does not have access to NDNH wage data; however, SWAs have access to NDNH wage data.

- For our sample of 260 payments, we then manually reviewed the programmatically generated flags and updated these flags when necessary. The manual review included a review of state case files and relevant publicly available information.[17] We also performed a cross-match of information in the case files against the Social Security Administration's Enumeration Verification System (EVS).[18] For a subset of claims showing indicators of potential identity theft, we met with the DOL OIG to understand the related investigative data pertinent to those claims.
- We aggregated the manually adjusted fraud flags to generate consolidated fraud risk scores for each of the 260 PUA payments in our sample.[19] The consolidated risk score was an overall assessment of fraud risk for the sampled payment.

The above steps resulted in manually adjusted fraud risk scores for the sample of 260 PUA payments and programmatically generated flags indicating the presence of fraud indicators for the DOL sample of 2,540. We performed multiple imputation using a fully conditional specification method that uses observed data for fraud indicators and manually scored fraud risk to impute fraud risk for the remaining DOL sample. The model was developed as part of a multiple imputation procedure to populate predicted manual fraud risk scores for the remaining portion of the 2,540 PUA payments. The multiple imputation step produced multiple versions of the data, where each version contains a different set of imputed values. The multiple imputation step helped account for the uncertainty arising from the modeling procedure. We then used the DOL sample design and sampling weights to calculate a national PUA fraud rate estimate, given each imputed dataset. The PUA range was calculated using Rubin's Rule

[17]Fraud indicators may sometimes be explained by events other than fraud. An important goal of the manual review was to help account for alternative explanations of the observed fraud indicators. For example, an address may have a large number of claims because it is a multiunit dwelling and so, when assessing fraud risk associated with individual addresses, we examined the size of the dwelling and whether it was multiunit.

[18]EVS provides information on invalid (never issued) SSNs and instances where there are mismatches between SSN, name, and date of birth. EVS flags SSNs in which the name or date of birth (or both) do not match its records for the SSN, as well as SSNs that have never been issued by the SSA.

[19]In this report, we do not detail all the steps of our fraud scoring process so that potential perpetrators of fraud do not become aware of fraud risks or exploit potential weaknesses in the program.

for multiple imputation, which accounts for the variability of each individual estimate and the variability across the imputed estimates.[20]

We obtained additional evidence regarding the extent of fraud in the PUA program by conducting an econometric analysis of PUA benefit payments over time from March 2020 to December 2021.[21] Additional details about the econometric analysis follow:

- The model relied on the expectation that the PUA benefit payment should be associated with certain states' conditions and the fraud prevention tools or processes that states implemented.
- To obtain basic information about the operation of the PUA program, including the fraud prevention processes or tools implemented by the states, we surveyed the SWAs in 50 states and the District of Columbia.[22] We also interviewed 14 SWAs to obtain information about states' PUA application process, job search requirement, and implementation of identity verification services. We also obtained data for a broad range of state-level conditions, such as disease burden during the pandemic, unemployment rates, demographic composition, and industrial composition.[23]
- We developed an econometric model to predict the level of PUA benefit payment if all states were comprehensively implementing fraud prevention tools or processes. We used this approach to

[20]Rubin's Rule is an approach to create pooled estimates from the results of multiple imputation procedures. Multiple imputation is a tool for replacing missing data with multiple plausible values, with the goal of accounting for the uncertainty arising from the procedure used to perform the replacement.

[21]This period provides sufficient coverage of the PUA program, given that the program started in March 2020 and expired by September 2021. Some states opted out of the PUA program prior to its expiration date. States were required to accept new PUA applications 30 days after the state termination or program expiration (whichever comes first). We selected December 2021 to provide two additional months of coverage.

[22]Three SWAs did not respond to our survey by the time deadline. The econometric modeling is limited by the 48 states we received survey responses from because the model utilizes the fraud prevention tools and processes from the survey.

[23]Other state-level conditions included in the econometric model include a COVID-19 stringency index (i.e., a measure of the strictness of states' closure and containment policies that primarily restrict people's behavior), regular state UI features (e.g., insured unemployment rate, percentage with insufficient wage credit, and percentage of single-claimant denials), labor market conditions (e.g., part-time worker for economic reasons, percentage of self-employed workers, and reason for unemployment), occupational composition (i.e., 26 occupation groups), and lagged variables (e.g., lagged disease burden during the pandemic, and a lagged stringency index). We estimated the econometric model by pooled ordinary least squares with standard errors clustered by state.

estimate potential fraud that would have been prevented or deterred if all states at all times had implemented all fraud prevention tools and processes that were ultimately in use across states. We used the survey data we collected from 48 states as a proxy for the extent of states' fraud prevention efforts. We used other state-level conditions as control variables in our econometric model.

- We took two approaches to estimate the potential fraud amount in the PUA benefit payment. Specifically, we estimated the potential fraud amount in benefit payment (1) by the total differences between actual benefit payments and predicted benefit payments from the econometric model and (2) from the average effect of comprehensive fraud prevention tools or processes (i.e., the estimated coefficient from the econometric model). The potential fraud rate is calculated as the ratio of potential fraud amount to actual benefit payment.
- The resulting model did not directly estimate the amount of fraud in the PUA program. Instead, it approximated the fraud total as it was reduced by state controls. As a result, this model does not cover fraud that would be undetected and undeterred by environments with a higher level of fraud controls. Conversely, the model may identify as fraud a reduction in legitimate claims activity due to increased state controls. In addition, while our model took into account a variety of factors that may be correlated with PUA benefit payment, such as the COVID-19 excess death rate, the COVID-19 stringency index, the unemployment rate, and states' fraud prevention efforts, we may not have taken into account all possible factors. To account for these limitations, we used the econometric model in conjunction with the results obtained from our statistical sampling of PUA payments. The two approaches provided generally consistent results on the scale of fraud in the PUA program.

We generated the upper and the lower range of estimated fraud across the regular UI program, FPUC, PEUC, MEUC, Extended Benefits, and PUA using the approaches described above. The range obtained from the BAM program fraud estimate was applied to regular UI, PEUC, Extended Benefits, MEUC, and the estimated portion of FPUC that was not attributable to PUA.[24] The PUA range, which we obtained from the PUA sample and checked against the econometric modeling, was applied to

[24]FPUC payments were made in addition to payments made on an existing claim. DOL reported that it could not calculate the portion of FPUC payments that were made for PUA claims. We asked the 14 SWAs we interviewed to provide the FPUC percentages, and we received seven written responses that referred to expenditure data. We validated our estimation procedure by comparing our state-level results with the percentage reported by those states.

PUA payments and the portion of FPUC payments that arose from the PUA payments. We combined the component estimates by summing the lower limit of each component to create the lower end of the overall range and summing the upper limit of each component to create the upper end of the overall range.

Our estimate includes different fraud types, including claimants intentionally misrepresenting themselves as other individuals and claimants intentionally misstating facts related to their eligibility. We attempted to use a diverse set of methods in order to cover a substantial portion of fraud types identified by the 14 states we interviewed. However, given both the uncertainty associated with the hidden nature of fraud and the resource limitations on the entities that investigate and adjudicate fraudulent claims, it was not possible to identify and cover all potential fraud schemes and types. We also could not eliminate the possibility that some of the sampled cases that were identified as potential fraud may have involved nonfraudulent overpayments or have been properly paid. Due to these limitations, we do not provide a statistical confidence level when reporting our likely fraud range.

Further, we requested, identified, and reviewed relevant reports from state entities as of March 2023 related to estimating the extent of fraud and potential fraud in UI programs during the pandemic to gain information about fraud estimates reported at the state level.[25]

We assessed the reliability of the DOL Employment and Training Administration data, BAM program fraud estimates, DOL's sample of PUA payments, and DOL OIG fraud indicators on PUA payments by (1) reviewing information about the data and the system that produced them; (2) interviewing officials knowledgeable about the data, when feasible; (3) performing electronic testing, when feasible; and (4) tracing information to source documents, when feasible. We assessed the reliability of EVS, DMF, and NDNH data by reviewing relevant information about the data and performing electronic testing, when feasible. We determined that the data were sufficiently reliable for the purposes of responding to our objective.

[25]Throughout this report, we refer to estimates as projections or inferences based on measures, assumptions, or analytical techniques. Estimates are often used when direct measures are unavailable, incomplete, or unreliable.

Appendix II: GAO Unemployment Insurance-Related Recommendations to the Department of Labor

Table 6 lists GAO's 26 recommendations made since 2018 to the Department of Labor (DOL) to help improve the Unemployment Insurance (UI) system and their implementation status.

Table 6: GAO's 26 Recommendations to the Department of Labor (DOL) to improve the Unemployment Insurance (UI) System, Status as of August 2023

No.	Status	Report number, date	Recommendation to DOL
1	Closed – implemented[a]	GAO-22-105051, October 27, 2021	**(priority)**[c] The Secretary of Labor should examine the suitability of existing fraud controls in the UI program and prioritize residual fraud risks.
2	Closed – implemented[a]	GAO-22-104251, June 7, 2022	The Secretary of Labor should ensure that the Office of Unemployment Insurance review the customer service challenges that states faced during the pandemic, identify comprehensive information on customer service best practices, and provide states with this information to assist them in improving service delivery.
3	Closed – implemented[a]	GAO-21-387, March 31, 2021	The Secretary of Labor should ensure that the Office of Unemployment Insurance collects data from states on the amount of overpayments waived in the PUA program, similar to the regular UI program.
4	Closed – implemented[a]	GAO-22-105051, October 27, 2021	The Secretary of Labor should identify inherent fraud risks facing the UI program.
5	Closed – implemented[a]	GAO-22-105051, October 27, 2021	The Secretary of Labor should assess the likelihood and impact of inherent fraud risks facing the UI program.
6	Closed – implemented[a]	GAO-22-105051, October 27, 2021	The Secretary of Labor should document the fraud risk profile for the UI program.
7	Closed – implemented[a]	GAO-21-265, January 28, 2021	The Secretary of Labor should ensure that the Office of Unemployment Insurance collects data from states on the amount of overpayments recovered in the Pandemic Unemployment Assistance (PUA) program, similar to the regular UI program.
8	Closed – implemented[a]	GAO-21-191, November 30, 2020	The Secretary of Labor should ensure that the Office of Unemployment Insurance revises its weekly news releases to clarify that in the current unemployment environments, the numbers it reports for weeks of unemployment claimed do not accurately estimate the number of unique individuals claiming benefits.

No.	Status	Report number, date	Recommendation to DOL
9	Closed – implemented[a]	GAO-18-633, September 4, 2018	The Secretary of Labor should systematically collect sufficient information on state profiling systems, possibly through DOL's new UI state self-assessment process, to identify states at risk of poor profiling system performance. For instance, DOL could collect information on challenges that states have experienced using and maintaining their profiling systems, planned changes to the systems, or state processes for assessing the systems' performance.
10	Closed – implemented[a]	GAO-18-633, September 4, 2018	The Secretary of Labor should develop a process to use information on state risks of poor profiling system performance to provide technical assistance to states that need to improve their systems. DOL may also wish to tailor its technical assistance based on state service delivery goals and technical capacity.
11	Open – partially addressed[b]	GAO-21-191, November 30, 2020	**(priority)** The Secretary of Labor should ensure that the Office of Unemployment Insurance pursues options to report the actual number of distinct individuals claiming benefits, such as by collecting these already available data from states, starting from January 2020 onward.
12	Open – partially addressed[b]	GAO-23-105523, December 22, 2022	The Secretary of Labor should design and implement an antifraud strategy for UI based on a fraud risk profile consistent with leading practices as provided in the Fraud Risk Framework.
13	Open – partially addressed[b]	GAO-22-105051, October 27, 2021	The Secretary of Labor should designate a dedicated entity and document its responsibilities for managing the process of assessing fraud risks to the UI program, consistent with leading practices as provided in our Fraud Risk Framework. This entity should have, among other things, clearly defined and documented responsibilities and authority for managing fraud risk assessments and for facilitating communication among stakeholders regarding fraud-related issues.
14	Open – not addressed[d]	GAO-22-104438, June 7, 2022	**(priority)** The Secretary of Labor should ensure that the Office of Unemployment Insurance examines and publicly reports on the extent and potential causes of racial and ethnic inequities in the receipt of PUA benefits, as part of the agency's efforts to modernize UI and improve equity in the system. The report should also address whether there is a need to examine racial, ethnic, or other inequities in regular UI benefit receipt, based on the PUA findings.
15	Open – not addressed[d]	GAO-18-486, August 22, 2018	**(priority)** The Assistant Secretary of DOL's Employment and Training Administration should provide states with information about its determination that the use of state formal warning policies is no longer permissible under federal law.
16	Open – not addressed[d]	GAO-18-486, August 22, 2018	**(priority)** The Assistant Secretary of DOL's Employment and Training Administration should clarify information on work search verification requirements in its revised Benefit Accuracy Measurement procedures. The revised procedures should include an explanation of what DOL considers to be sufficient verification of claimants' work search activities.
17	Open – not addressed[d]	GAO-23-105478, July 2023	The Secretary of the Department of Labor should direct the Office of Unemployment Insurance Modernization and the Office of the Chief Information Officer to update their processes for UI pilots to reflect leading practices for pilot design and implement the leading pilot design practices that address the weaknesses that we identified on its future pilots.
18	Open – not addressed[d]	GAO-23-105478, July 2023	The Secretary of the Department of Labor should direct the Office of Unemployment Insurance to define UI IT modernization standards for states.

No.	Status	Report number, date	Recommendation to DOL
19	Open – not addressed[d]	GAO-23-105478, July 2023	The Secretary of the Department of Labor should direct the Office of Unemployment Insurance to measure states' UI IT performance against established standards.
20	Open – not addressed[d]	GAO-22-105162, June 7, 2022	The Secretary of Labor should develop and execute a transformation plan that meets GAO's high-risk criteria for transformation; the plan should outline coordinated and sustained actions to address known issues related to providing effective service and mitigating financial risk, including ways to demonstrate improvements. Planned actions may include addressing audit recommendations and determining whether legislative changes are needed, as appropriate. Planned actions may also include achieving quantifiable results in reducing improper payment rates, including those related to fraud; improving efficiency in claims processing and restoring prepandemic payment timeliness levels; better reaching current worker populations; and enhancing equity in benefit distribution.
21	Open – not addressed[d]	GAO-22-104438, June 7, 2022	The Secretary of Labor should study and advise the Congress and other policymakers on the costs, benefits, and risks of various options to systematically support self-employed and contingent workers during periods of involuntary unemployment outside of declared disasters, including considering options' feasibility and approach to fraud prevention.
22	Open – not addressed[d]	GAO-22-104251, June 7, 2022	The Secretary of Labor should ensure that the Office of Unemployment Insurance assesses lessons learned from the pandemic to inform its future disaster responses efforts and support the Congress on ways to address future emergencies.
23	Open – not addressed[d]	GAO-22-105051, October 27, 2021	The Secretary of Labor should determine fraud risk tolerance for the UI program.
24	Open – not addressed[d]	GAO-18-633, September 4, 2018	The Secretary of Labor should update agency guidelines to ensure that it clearly informs states about the range of allowable profiling approaches.
25	Open – not addressed[d]	GAO-18-486, August 22, 2018	The Assistant Secretary of DOL's Employment and Training Administration should monitor states' efforts to discontinue the use of formal warning policies.
26	Open – not addressed[d]	GAO-18-486, August 22, 2018	The Assistant Secretary of DOL's Employment and Training Administration should monitor states' compliance with the clarified work search verification requirements.

Source: GAO analysis of open recommendations to DOL. | GAO-23-106696

[a]Recommendations that have been closed as implemented are those where the agency has completed all action(s) to implement the recommendation or the intent of the recommendation.

[b]Recommendations that have been partially addressed are those where the agency has completed action(s) that contribute to the full implementation of the recommendation, but some actions remain outstanding.

[c]Priority recommendations are those that GAO believes warrant priority attention from heads of key departments or agencies. They are highlighted because, upon implementation, they may significantly improve government operations, for example, by realizing large dollar savings; eliminating mismanagement, fraud, and abuse; or making progress toward addressing a high risk or fragmentation, overlap, or duplication issue.

[d]Recommendations that have not been addressed are those where the agency has yet to take any action(s) to implement the recommendation.

Appendix III: Financial Assistance Allocated and Awarded to States

Table 7 lists the total amount of grants that the Department of Labor (DOL) allocated and awarded to states for initiatives including fraud prevention, detection, investigation, and recovery activities in the unemployment insurance (UI) programs as of May 2023. These totals include both Coronavirus Aid, Relief, and Economic Security (CARES) Act and American Rescue Plan Act (ARPA) funding that was used to address fraud in all UI programs.[1] The total amount allocated represents the maximum amount of funds available for states to apply for in each of these grants. The total amount awarded represents the amount of funds that DOL approved for states to receive after the application process.

In June 2023, the Fiscal Responsibility Act of 2023 (FRA) was signed into law. This law rescinded total ARPA funding for UI programs that had not been awarded and reduced the total ARPA funding for UI programs from $2 billion to $1 billion. In July 2023, DOL announced updated financial assistance amounts for states, which reflected the FRA rescission.

Table 7: Coronavirus Aid, Relief, and Economic Security Act and American Rescue Plan Act Financial Assistance Dollar Amounts Allocated (as of July 2023) and Awarded (as of May 2023) by the Department of Labor to States and U.S. Territories

State	Total amount allocated (in dollars)	Total amount awarded (in dollars)
Alabama	19,761,600	16,390,322
Alaska	11,038,750	6,238,991
American Samoa	500,000	300,000
Arizona	33,023,350	29,182,281
Arkansas	16,663,800	10,226,684
California	51,533,850	40,911,465
Colorado	30,091,350	26,127,555
Commonwealth of the Northern Mariana Islands	1,050,000	1,026,060
Connecticut	19,628,600	15,794,849

[1]Pub. L. No. 116-136, 134 Stat. 281 (2020); Pub. L. No. 117-2, 135 Stat. 4 (2021).

State	Total amount allocated (in dollars)	Total amount awarded (in dollars)
Delaware	11,274,000	10,319,842
District of Columbia	9,593,000	8,634,624
Federated States of Micronesia	500,000	200,000
Florida	32,494,550	23,795,789
Georgia	29,929,350	15,726,189
Guam	1,050,000	1,026,060
Hawaii	11,407,750	8,845,328
Idaho	11,130,750	8,608,747
Illinois	31,208,350	25,094,049
Indiana	29,621,350	22,206,376
Iowa	19,353,600	13,327,338
Kansas	20,202,800	18,308,817
Kentucky	20,689,600	16,947,071
Louisiana	17,591,800	11,084,688
Maine	14,279,987	9,535,575
Maryland	30,197,350	22,818,913
Massachusetts	27,283,800	11,083,800
Michigan	33,037,350	27,823,810
Minnesota	24,148,800	4,860,000
Mississippi	19,960,600	15,068,629
Missouri	28,891,350	17,923,800
Montana	9,564,000	7,155,992
Nebraska	11,052,750	9,523,254
Nevada	21,941,600	19,908,013
New Hampshire	11,382,750	9,718,695
New Jersey	27,489,800	24,517,615

State	Total amount allocated (in dollars)	Total amount awarded (in dollars)
New Mexico	14,333,980	11,833,778
New York	38,573,550	34,315,180
North Carolina	29,969,350	17,923,800
North Dakota	9,544,000	3,862,417
Ohio	31,892,350	24,417,298
Oklahoma	19,598,639	14,740,241
Oregon	22,841,600	19,411,467
Palau	500,000	194,300
Pennsylvania	37,496,350	31,206,763
Puerto Rico	10,939,000	9,905,996
Republic of Marshall Islands	500,000	100,000
Rhode Island	11,879,750	9,255,707
South Carolina	18,867,800	16,103,076
South Dakota	9,408,000	8,460,169
Tennessee	24,552,800	14,874,660
Texas	34,001,550	29,994,524
Utah	16,136,800	11,550,670
Vermont	9,566,000	4,803,745
Virgin Islands	10,894,750	2,430,000
Virginia	31,524,350	26,496,795
Washington	32,921,350	25,991,442
West Virginia	11,385,750	8,849,212
Wisconsin	31,551,350	28,332,104
Wyoming	10,899,750	7,156,000
Total	**1,158,347,156**	**872,470,565**

Source: GAO analysis of Department of Labor data. | GAO-23-106696

Note: Total amounts in table 7 differ from those in table 1. Table 7 figures reflect only funds that were allocated and awarded specifically to states and territories and does not include the $46 million available for Tiger Team consultations nor the $200 million for unemployment insurance IT modernization initiatives, as these funds were made available in lump sums and awarded based on state applications.

Appendix IV: Fraudulent Overpayments Recovered and Written Off in Unemployment Insurance (UI) Programs

The tables below provide amounts that states reported to the Department of Labor (DOL) for established fraudulent overpayments, recoveries, and write-offs for the regular UI program (table 8) and pandemic UI programs (table 9). With the exception of the Pandemic Unemployment Assistance (PUA) program, DOL requires states to report fraudulent overpayments, recoveries, and write-offs on a quarterly basis. For PUA, DOL requires monthly reporting of overpayments and recoveries; DOL does not require states to include PUA amounts written off.

It may take states many years to recover UI overpayments. Since regular UI programs have been in existence longer than the pandemic UI programs, states have had more time to recover overpayments that occurred many years prior to the recovery. As a result, states might report instances where the amount recovered for the regular UI program appears to exceed the reported overpayments for a given reporting period.

Table 8: Fraudulent Overpayments Recovered and Written Off in the Regular Unemployment Insurance Program, March 2020 – March 2023 (as of May 1, 2023)

State	Total fraudulent overpayments established (in dollars)	Total fraudulent overpayments recovered (in dollars)	Total fraudulent overpayments written off (in dollars)
Alabama	5,334,028	5,438,234	86,621
Alaska	5,527,276	5,128,286	66,433
Arizona	22,646,270	28,971,386	2,347,835
Arkansas	7,337,139	8,512,982	593,003
California	367,107,069	208,812,336	721,819
Colorado	3,616,513	4,002,416	3,648,607
Connecticut	17,418,467	16,716,891	136,170
Delaware	2,020,605	1,250,144	0
District of Columbia	5,892,639	8,644,624	90,970
Florida	650,451	3,778,956	3,357

State	Total fraudulent overpayments established (in dollars)	Total fraudulent overpayments recovered (in dollars)	Total fraudulent overpayments written off (in dollars)
Georgia	34,095,676	11,777,959	2,805,866
Hawaii	4,777,313	1,410,768	0
Idaho	11,916,269	8,447,389	67,521
Illinois	41,460,515	32,144,067	42,449
Indiana	11,822,170	12,277,119	557,416
Iowa	9,680,894	12,877,258	252,374
Kansas	3,703,406	8,772,021	1,247
Kentucky	58,254,321	11,695,453	315,679
Louisiana	12,580,087	11,815,248	95,432
Maine	1,577,516	2,275,281	235,984
Maryland	13,613,286	17,945,521	21,644
Massachusetts	29,818,650	24,567,457	209,736
Michigan	5,931,958	6,700,814	485,339
Minnesota	35,064,088	13,277,802	6,861,380
Mississippi	42,046,701	25,280,239	774,434
Missouri	18,018,078	11,880,754	0
Montana	4,992,667	3,067,642	103,562
Nebraska	596,004	2,015,814	2,367
Nevada	12,366,896	6,972,926	2,738,173
New Hampshire	2,245,432	1,655,128	19,291
New Jersey	48,755,967	56,429,439	0
New Mexico	5,884,274	6,370,515	0
New York	249,948,288	154,980,897	24,643,163
North Carolina	45,627,622	12,292,631	7,100,114
North Dakota	1,700,953	1,096,628	6,548
Ohio	89,502,081	20,849,677	1,310,304
Oklahoma	3,645,341	9,431,169	34,288
Oregon	30,389,656	17,070,197	212,176
Pennsylvania	16,790,032	55,540,248	2,949,926
Puerto Rico	4,593,412	1,761,063	0
Rhode Island	3,599,475	5,246,965	7,184
South Carolina	24,509,942	15,415,168	49,739
South Dakota	2,676,030	1,136,568	142,313
Tennessee	8,335,837	12,174,757	1,131,356
Texas	11,039,164	18,549,040	339,391

State	Total fraudulent overpayments established (in dollars)	Total fraudulent overpayments recovered (in dollars)	Total fraudulent overpayments written off (in dollars)
Utah	9,823,242	7,685,465	185,813
Vermont	3,073,722	1,540,421	137,029
Virgin Islands (U.S.)	286,554	86,168	0
Virginia	15,787,037	5,772,926	3,791,360
Washington	8,691,628	12,388,639	2,658,019
West Virginia	1,412,992	2,105,401	1,207,131
Wisconsin	16,852,283	14,946,811	88,601
Wyoming	2,186,092	2,472,432	101,195
Total dollars	**1,397,224,008**	**953,456,140**	**69,380,359**

Source: GAO analysis of Department of Labor data. | GAO-23-106696

Table 9: Fraudulent Overpayments Recovered and Written Off in the Pandemic Unemployment Insurance Programs, March 2020 – March 2023 (as of May 1, 2023)

State	Total fraudulent overpayments established (in dollars)	Total fraudulent overpayments recovered (in dollars)	Total fraudulent overpayments written off (in dollars)
Alabama	22,247,643	1,033,806	204,342
Alaska	5,342,585	423,050	4,018
Arizona	130,601,698	5,234,319	275,602
Arkansas	12,481,190	635,684	176,135
California	2,664,903	1,256,073	0
Colorado	382,048,674	960,449	211,868
Connecticut	6,755,530	1,940,377	5,695
Delaware	3,626,308	253,936	0
District of Columbia	6,244,260	577,386	1,380
Florida	204,916	23,578	0
Georgia	27,780,819	164,955	0
Hawaii	3,897,553	700,434	1,200
Idaho	10,849,661	1,968,828	13,023
Illinois	66,759,768	2,489,214	0
Indiana	39,084,328	5,130,582	182,229
Iowa	20,933,644	835,234	6,540
Kansas	2,994,687	126,665	0
Kentucky	52,503,988	333,067	68,565
Louisiana	18,410,377	224,916	47,468
Maine	3,583,045	55,083	9
Maryland	22,384,273	1,118,071	20,550
Massachusetts	74,012,489	1,101,390	1,249
Michigan	3,917,799	47,604	2,880
Minnesota	26,298,145	2,923,538	136,217
Mississippi	80,836,538	15,224,310	72,557
Missouri	38,924,684	2,128,148	0
Montana	5,424,176	1,084,775	93,474
Nebraska	1,054,461	115,505	60
Nevada	7,706,796	402,063	119,004

State	Total fraudulent overpayments established (in dollars)	Total fraudulent overpayments recovered (in dollars)	Total fraudulent overpayments written off (in dollars)
New Hampshire	2,089,265	266,887	0
New Jersey	20,677	0	0
New Mexico	13,407,119	715,144	0
New York	668,496,890	76,996,784	2,420,554
North Carolina	129,529,137	8,579,215	517,805
North Dakota	2,586,402	588,327	34,502
Ohio	1,098,002,231	18,392,359	0
Oklahoma	4,396,159	99,922	1,500
Oregon	56,374,096	2,102,250	0
Pennsylvania	119,206,185	1,286,636	947,338
Puerto Rico	8,541,355	14,462	0
Rhode Island	2,139,227	753,555	125
South Carolina	71,462,001	19,806,306	109,552
South Dakota	4,617,004	937,022	54,565
Tennessee	32,503,303	4,437,687	563,783
Texas	387,441,479	14,749,133	2,605
Utah	19,075,483	2,292,424	65,705
Vermont	3,141,000	1,452,194	28,486
Virgin Islands (U.S.)	1,611,751	125,362	1,574
Virginia	69,352,768	4,778,565	33,914,465
Washington	14,335,162	2,958,616	22,031
West Virginia	56,921,173	0	810
Wisconsin	39,349,745	4,316,893	188,712
Wyoming	408,603	127,299	0
Total dollars	**3,884,583,153**	**214,290,082**	**40,518,177**

Source: GAO analysis of Department of Labor data. | GAO-23-106696

Note: Some states did not report totals for the pandemic UI programs during our review time frame. Specifically, three states did not report information for Pandemic Unemployment Assistance (PUA), three states did not report information for Pandemic Emergency Unemployment Compensation (PEUC), two states did not report information for Federal Pandemic Unemployment Compensation (FPUC), and 19 states did not report information for Mixed Earner Unemployment Compensation (MEUC).

Appendix V: Nonfraudulent Overpayments Recovered, Written Off, and Waived in Unemployment Insurance (UI) Programs

The tables below provide amounts that states reported to the Department of Labor (DOL) for established nonfraudulent overpayments, recoveries write-offs, and waivers for the regular UI program (table 10) and pandemic UI programs (table 11). With the exception of the Pandemic Unemployment Assistance (PUA) program, DOL requires states to report nonfraudulent overpayments, recoveries, write-offs, and waivers on a quarterly basis. For PUA, DOL requires monthly reporting of overpayments, recoveries, and waivers; DOL does not require states to include PUA amounts written off.

Table 10: Nonfraudulent Overpayments Recovered, Written Off, and Waived in the Regular Unemployment Insurance Program, March 2020 – March 2023 (as of May 1, 2023)

State	Total nonfraudulent overpayments established (in dollars)	Total nonfraudulent overpayments recovered (in dollars)	Total nonfraudulent overpayments written off (in dollars)	Total nonfraudulent overpayments waived (in dollars)
Alabama	47,380,799	11,529,229	112,776	0
Alaska	15,476,061	10,194,698	1,364,678	49,153
Arizona	43,928,975	71,833,863	4,438,116	33,428,140
Arkansas	25,120,424	9,067,035	931,287	565,162
California	383,074,458	74,448,432	615,008	26,820,594
Colorado	424,452,848	73,660,486	178,554,852	16,360,216
Connecticut	40,496,978	16,660,804	125,799	14,914,773
Delaware	7,116,945	4,486,898	1,223	5,799
District of Columbia	20,673,007	12,461,994	187,347	782,328
Florida	551,418,239	117,439,534	1,010,897	83,429,035
Georgia	78,678,118	37,131,482	11,122,250	6,387,412
Hawaii	13,367,332	8,892,625	26,421	509,956

State	Total nonfraudulent overpayments established (in dollars)	Total nonfraudulent overpayments recovered (in dollars)	Total nonfraudulent overpayments written off (in dollars)	Total nonfraudulent overpayments waived (in dollars)
Idaho	11,286,626	6,118,128	87,220	1,340,533
Illinois	505,820,802	71,604,940	39,998	3,720,388
Indiana	130,310,856	42,274,396	1,705,318	413,075
Iowa	77,703,878	26,251,589	7,306,761	21,756
Kansas	27,616,883	15,079,029	79,114	1,302,812
Kentucky	99,458,610	14,200,321	192,193	18,859,966
Louisiana	48,495,490	14,147,877	3,293,869	1,287,455
Maine	15,365,554	6,821,988	1,337,325	425,533
Maryland	349,444,474	42,601,196	2,053,978	1,619,114
Massachusetts	1,367,200,988	57,019,342	1,194,487	144,798,865
Michigan	666,096,100	103,120,133	4,211,053	24,735,474
Minnesota	91,354,905	48,231,327	7,725,462	0
Mississippi	38,426,052	20,667,653	885,411	0
Missouri	129,030,797	36,006,129	0	0
Montana	15,426,065	7,890,421	908,312	329,551
Nebraska	12,143,881	5,092,067	15,060	0
Nevada	590,253,434	100,425,550	89,758,756	123,422
New Hampshire	137,672,639	15,463,378	113,202	40,412,590
New Jersey	947,271,163	578,315,344	0	3,888,913
New Mexico	100,459,840	75,320,942	0	0
New York	154,716,407	26,982,627	4,068,249	0
North Carolina	139,698,272	39,977,173	3,337,465	489,645
North Dakota	28,262,811	9,795,120	4,680	209,987
Ohio	305,309,216	75,245,559	4,055,498	51,990,274
Oklahoma	49,782,801	12,001,587	23,888,778	0
Oregon	87,676,075	29,108,896	347,561	10,977,041
Pennsylvania	302,308,905	80,083,777	20,624,847	205,738
Puerto Rico	25,844,210	10,906,680	2,217	0
Rhode Island	16,229,099	6,529,288	2,279	3,559,709
South Carolina	73,148,544	19,912,613	47,507	461,678
South Dakota	7,453,683	3,772,849	376,342	215,637

State	Total nonfraudulent overpayments established (in dollars)	Total nonfraudulent overpayments recovered (in dollars)	Total nonfraudulent overpayments written off (in dollars)	Total nonfraudulent overpayments waived (in dollars)
Tennessee	25,969,352	15,060,447	2,892,466	1,160,183
Texas	1,409,516,992	327,603,965	2,717,743	250,609
Utah	21,381,955	10,551,492	1,515,540	456,137
Vermont	17,908,846	3,433,850	548,190	8,286,397
Virgin Islands (U.S.)	1,314,107	604,691	0	3,852
Virginia	492,758,561	35,002,667	38,372,310	79,320,701
Washington	979,462,447	144,110,439	15,890,685	26,213,615
West Virginia	21,217,090	5,132,688	4,117,132	0
Wisconsin	84,976,837	39,082,384	6,386,787	7,244,025
Wyoming	7,355,033	4,345,819	171,066	398,774
Total dollars	**11,264,314,464**	**2,633,703,441**	**448,765,515**	**617,976,017**

Source: GAO analysis of Department of Labor data. | GAO-23-106696

Table 11: Nonfraudulent Overpayments Recovered, Written Off, and Waived in the Pandemic Unemployment Insurance (UI) Programs, March 2020 – March 2023 (as of May 1, 2023)

State	Total nonfraudulent overpayments established (in dollars)	Total nonfraudulent overpayments recovered (in dollars)	Total nonfraudulent overpayments written off[a] (in dollars)	Total nonfraudulent overpayments waived (in dollars)
Alabama	$ 236,188,851	$ 13,519,425	$ 614,574	$ 194,044
Alaska	75,725,260	30,913,923	22,713	5,091,569
Arizona	89,071,647	17,828,558	12,245,327	44,353,167
Arkansas	142,445,184	3,720,193	1,298,600	858,622
California	39,043,749	331,151	0	0
Colorado	2,233,971,821	225,323,367	213,400,958	176,834,237
Connecticut	18,241,163	2,792,622	0	6,379,041
Delaware	12,084,126	2,852,438	0	600
District of Columbia	63,871,929	32,839,807	47,836	276,217
Florida	3,447,451,453	91,840,956	431,746	522,756,035
Georgia	47,262,434	2,874,432	0	3,471
Hawaii	17,657,259	12,859,371	0	492,500
Idaho	26,886,191	7,942,124	141,169	9,028,929
Illinois	2,702,495,829	82,414,901	0	86,727,948
Indiana	1,117,033,830	84,722,393	7,348,814	110,202,363
Iowa	106,714,289	11,122,778	199,375	20,260,328
Kansas	24,366,595	1,924,783	0	27,873
Kentucky	24,435,631	1,245,960	131,197	8,699,697
Louisiana	205,592,949	9,619,651	33,960	18,189,644
Maine	83,739,781	3,885,614	11	285,360
Maryland	3,971,797,918	67,376,375	10,979,855	261,603,083
Massachusetts	3,020,190,957	158,919,275	10,571,879	1,218,566,906
Michigan	1,949,204,677	39,983,007	1,290,096	10,274,767
Minnesota	55,309,611	13,304,736	112,128	0
Mississippi	349,628,955	29,671,998	192,409	0
Missouri	494,865,173	23,851,909	0	81,379,730
Montana	76,300,556	9,695,301	469,039	713,899
Nebraska	56,582,099	8,567,330	77,447	1,332,878

State	Total nonfraudulent overpayments established (in dollars)	Total nonfraudulent overpayments recovered (in dollars)	Total nonfraudulent overpayments written off[a] (in dollars)	Total nonfraudulent overpayments waived (in dollars)
Nevada	986,460,095	52,029,201	25,964,582	3,236,471
New Hampshire	157,710,695	10,463,106	2,090	7,898,054
New Jersey	107,166,709	2,192,073	0	0
New Mexico	551,502,937	32,095,142	0	32,555,980
New York	215,817,440	36,174,954	9,338,213	0
North Carolina	797,588,272	64,952,495	6,776,154	25,099,654
North Dakota	80,108,256	7,739,293	3,129	556,467
Ohio	5,403,592,587	141,796,582	170,389	415,455,971
Oklahoma	56,006,144	2,916,638	14,596,311	0
Oregon	111,384,170	5,742,835	0	5,380,564
Pennsylvania	2,925,184,909	377,007,276	2,372,584	1,886,589
Puerto Rico	183,737,814	25,850,537	0	0
Rhode Island	45,959,642	4,186,991	1,191	7,954,797
South Carolina	159,582,791	33,538,483	114,860	1,215,328
South Dakota	21,412,579	5,964,033	120,524	3,405,848
Tennessee	69,206,237	6,271,803	853,714	2,278,809
Texas	3,679,413,674	917,316,677	250,394	1,515,975,221
Utah	43,896,825	6,405,364	56,749	550,474
Vermont	5,655,900	3,464,664	10,518	156,469
Virgin Islands (U.S.)	3,541,245	460,419	0	3,852
Virginia	905,413,053	54,650,533	74,450,774	217,498,861
Washington	1,833,884,292	154,606,336	3,035,097	25,961,729
West Virginia	50,053,928	1,794,904	143,150	328,926
Wisconsin	175,610,406	48,153,324	2,173,020	18,814,471
Wyoming	24,531,788	3,025,447	100,083	2,003,431
Total dollars	**39,282,582,305**	**2,990,743,488**	**400,142,659**	**4,872,750,874**

Source: GAO analysis of Department of Labor data. | GAO-23-106696

Note: Some states did not report totals for the pandemic UI programs during our review time frame. Specifically, three states did not report information for Pandemic Unemployment Assistance (PUA), three states did not report information for Pandemic Emergency Unemployment Compensation (PEUC), two states did not report information for Federal Pandemic Unemployment Compensation (FPUC), and 19 states did not report information for Mixed Earner Unemployment Compensation (MEUC).

Appendix VI: Comments from the Department of Labor

U.S. Department of Labor

Employment and Training Administration
200 Constitution Avenue, N.W.
Washington, D.C. 20210

August 28, 2023

Seto J. Bagdoyan
Director, Forensic Audits and Investigative Service
U.S. Government Accountability Office
441 G St. N.W.
Washington, DC 20548

Jared B. Smith
Director, Applied Research and Methods
U.S. Government Accountability Office
441 G St. N.W.
Washington, DC 20548

Dear Director Bagdoyan and Director Smith:

The Department of Labor (Department) appreciates the interest of the U.S. Government Accountability Office (GAO) in fraud and improper payments in pandemic unemployment programs and in the assistance provided by the Department to states responsible for implementing these programs.

The unemployment insurance (UI) program provided a vital lifeline to millions of Americans as our nation faced the economic crisis caused by the COVID-19 pandemic. The program, including temporary emergency pandemic benefits provided by Congress, prevented 5 million Americans from falling out of the middle class and into poverty, and prevented the COVID-19 pandemic from triggering a lasting recession.[1] According to an analysis by the Federal Reserve Board,[2] the enhanced unemployment benefits during the pandemic provided the most effective dollar-for-dollar stimulus of any program to prevent the public health crisis from causing a lasting recession. As these programs were rolled out, the Department strongly emphasized the need for states to focus on program integrity alongside their efforts to deliver critical benefits during the historic crisis.

This enormous task was made only more daunting by the decades-long chronic underfunding of the UI system, as administrative funding—which supports critical UI operations like staffing, training, and claims review—in 2020 was at its lowest level in at least 30 years. As a result, state agencies were unprepared for the extraordinary spike in the number of claims to be processed each week. The dramatic surge in claims was accompanied by the need to implement brand new emergency pandemic programs. This included the Pandemic Unemployment Assistance (PUA)

[1] Nick Gwyn, et al. *Historic Unemployment Programs Provided Vital Support to Workers and the Economy During Pandemic, Offer Roadmap for Future Reform*, Center on Budget & Policy Priorities, March 2022 https://www.cbpp.org/research/economy/historic-unemployment-programs-provided-vital-support-to-workers-and-the-economy.

[2] Christopher Carroll et al. "Welfare and Spending Effects of Consumption Stimulus Policies," Federal Reserve Board of Washington DC, 2023, https://www.federalreserve.gov/econres/feds/files/2023002pap.pdf.

program that covered an entirely new population of workers who were not typically eligible for benefits under the regular UI program. The Coronavirus Aid, Relief, and Economic Security (CARES) Act required states to rely on self-certification by applicants for PUA and did not permit states to require documentation to substantiate employment or self-employment or the planned commencement of employment until December 2020, when the program had been in operation for over nine months.

The long-term neglect to adequately fund the UI system and the absence of any dedicated funding stream for maintaining and enhancing the information technology (IT) systems that underpin state UI operations, coupled with Congress' direction to remove key integrity controls, especially early during the crisis, left the system vulnerable to sophisticated criminal syndicates who used stolen identities to defraud the UI system as it delivered critical relief to millions of Americans.

In light of these challenges, the Department has committed significant resources and taken concerted action to deter fraud and to assist law enforcement in holding perpetrators accountable while ensuring timely, equitable access to benefits.[3]

As highlighted in this report, the Department has invested over $1 billion in CARES Act and American Rescue Plan Act (ARP) funds to strengthen the integrity, security, and preparedness of state UI systems, including grants to states for fraud prevention, detection, and overpayment recovery efforts. The Department moved to enhance identity verification for both emergency pandemic programs and regular state UI programs. The Department has also strengthened the tools it offers to states to protect against criminal actors perpetrating fraud in multiple states, including by investing in and promoting the use of the UI Integrity Data Hub (IDH). As a result of continued investment and promotion, IDH usage has increased from 34 states in 2020 to all 53 state UI systems. The Department has also enhanced its collaboration with the Department of Labor's Office of Inspector General (DOL-OIG), ensuring that states receiving ARP-funded grants provide the DOL-OIG with direct access to claims data for the purpose of audits and investigations.

Most recently, in response to GAO recommendations in October 2021[4] and January 2023,[5] the Department has developed a thorough UI fraud risk profile to align our fraud risk assessment process with the leading practices in the GAO's Fraud Risk Framework. The UI fraud risk profile

[3] The Department's ongoing and planned UI program integrity efforts are detailed in its Unemployment Insurance Integrity Strategic Plan. U.S. Department of Labor, *Unemployment Insurance Integrity Strategic Plan – Fiscal Year 2022*, October 28, 2022, https://oui.doleta.gov/unemploy/pdf/ui_prog_integrity_2022.pdf. For additional program integrity efforts related to the PUA program, see also: U.S. Department of Labor, *Pandemic Unemployment Assistance Improper Payment Rate Report*, August 21, 2013, https://oui.doleta.gov/unemploy/pdf/Pandemic_Unemployment_Assistance_Improper_Payment_Rate_Report.pdf.
[4] GAO, *COVID-19: Additional Actions Needed to Improve Accountability and Program Effectiveness of Federal Response,* GAO-22-105051, October 27, 2021, https://www.gao.gov/products/gao-22-105051.
[5] GAO, *Unemployment Insurance: Data Indicate Substantial Levels of Fraud during the Pandemic; DOL Should Implement an Antifraud Strategy,* GAO-23-105523, January 23, 2023, https://www.gao.gov/products/gao-23-105523.

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will allow the Department to identify and implement additional antifraud strategies to mitigate emerging and evolving UI program fraud risks, and serve as the basis of our integrity strategic planning with our state partners.

The Department also recognizes that future efforts to enhance program integrity require careful monitoring of the challenges that have faced the program. In accordance with the Payment Integrity Information Act (PIIA), the Department develops improper payment estimations to provide an understanding of the causes of such payments and to inform efforts to prevent and reduce such payments. Most recently, we have completed a study of improper payments in the PUA program..[6] In this study, the Department used a sample size of claims sufficient to generate a statistically valid point estimate of the national PUA improper payment rate, and a claim review process that was developed by program staff who are experts in the PUA program—including all eligibility requirements and how they changed over time. The analysis was enhanced and refined by incorporation of PUA administrative data reported by the states.

In light of our experience estimating fraud, the Department has expressed concerns to the GAO about the methodology for the estimates in their report. The GAO's estimate relies heavily on an analysis of cross matches and case records of a small sub-sample of PUA claims. While these analyses are valuable in identifying potential fraud risk, further analysis is needed to understand the rate at which these identified cases are determined to be actually fraudulent, as opposed to false-positives. For this reason, the Department believes that the GAO's range likely overestimates the level of fraud and that this report can be best understood as an estimate of UI fraud risk, rather than a fraud estimate.

The Department appreciates the GAO's continued interest and support as the Department continues its effort to transform the UI program in ways that better position states to respond to current and emerging fraud threats. The Department encourages Congress to act on the provisions that were included in the President's FY2024 budget proposal to establish recommended additional program integrity requirements for all states and provide additional tools to the Department. The Department will continue to update the GAO and Congress about our progress addressing fraud and improper payments in the UI program.

Sincerely,

Brent Parton
Principal Deputy Assistant Secretary

[6] The report was posted to the ETA website on August 21, 2023: https://oui.doleta.gov/unemploy/pdf/Pandemic_Unemployment_Assistance_Improper_Payment_Rate_Report.pdf.

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Accessible Text for Appendix VI: Comments from the Department of Labor

August 28, 2023

Seto J. Bagdoyan
Director, Forensic Audits and Investigative Service
U.S. Government Accountability Office
441 G St. N.W.
Washington, DC 20548

Jared B. Smith
Director, Applied Research and Methods
U.S. Government Accountability Office
441 G St. N.W.
Washington, DC 20548

Dear Director Bagdoyan and Director Smith:

The Department of Labor (Department) appreciates the interest of the U.S. Government Accountability Office (GAO) in fraud and improper payments in pandemic unemployment programs and in the assistance provided by the Department to states responsible for implementing these programs.

The unemployment insurance (UI) program provided a vital lifeline to millions of Americans as our nation faced the economic crisis caused by the COVID-19 pandemic. The program, including temporary emergency pandemic benefits provided by Congress, prevented 5 million Americans from falling out of the middle class and into poverty, and prevented the COVID-19 pandemic from triggering a lasting recession.[1] According to an analysis by the Federal Reserve Board,[2] the enhanced unemployment benefits during the pandemic provided the most effective

[1] Nick Gwyn, et al. Historic Unemployment Programs Provided Vital Support to Workers and the Economy During Pandemic, Offer Roadmap for Future Reform, Center on Budget & Policy Priorities, March 2022 https://www.cbpp.org/research/economy/historic-unemployment-programs-provided-vital-support-to-workers-and-the-economy.

[2] Christopher Carroll et al. “Welfare and Spending Effects of Consumption Stimulus Policies,” Federal Reserve Board of Washington DC, 2023, https://www.federalreserve.gov/econres/feds/files/2023002pap.pdf.

dollar-fordollar stimulus of any program to prevent the public health crisis from causing a lasting recession. As these programs were rolled out, the Department strongly emphasized the need for states to focus on program integrity alongside their efforts to deliver critical benefits during the historic crisis.

This enormous task was made only more daunting by the decades-long chronic underfunding of the UI system, as administrative funding—which supports critical UI operations like staffing, training, and claims review—in 2020 was at its lowest level in at least 30 years. As a result, state agencies were unprepared for the extraordinary spike in the number of claims to be processed each week. The dramatic surge in claims was accompanied by the need to implement brand new emergency pandemic programs. This included the Pandemic Unemployment Assistance (PUA) program that covered an entirely new population of workers who were not typically eligible for benefits under the regular UI program. The Coronavirus Aid, Relief, and Economic Security (CARES) Act required states to rely on self-certification by applicants for PUA and did not permit states to require documentation to substantiate employment or self-employment or the planned commencement of employment until December 2020, when the program had been in operation for over nine months.

The long-term neglect to adequately fund the UI system and the absence of any dedicated funding stream for maintaining and enhancing the information technology (IT) systems that underpin state UI operations, coupled with Congress' direction to remove key integrity controls, especially early during the crisis, left the system vulnerable to sophisticated criminal syndicates who used stolen identities to defraud the UI system as it delivered critical relief to millions of Americans.

In light of these challenges, the Department has committed significant resources and taken concerted action to deter fraud and to assist law enforcement in holding perpetrators accountable while ensuring timely, equitable access to benefits.[3]

As highlighted in this report, the Department has invested over $1 billion in CARES Act and American Rescue Plan Act (ARP) funds to strengthen the integrity, security, and preparedness of state UI systems, including grants to states for fraud prevention, detection, and overpayment recovery efforts. The Department moved to enhance identity verification for both emergency pandemic programs and regular state UI programs. The Department has also strengthened the tools it offers to states

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to protect against criminal actors perpetrating fraud in multiple states, including by investing in and promoting the use of the UI Integrity Data Hub (IDH). As a result of continued investment and promotion, IDH usage has increased from 34 states in 2020 to all 53 state UI systems. The Department has also enhanced its collaboration with the Department of Labor's Office of Inspector General (DOL-OIG), ensuring that states receiving ARP-funded grants provide the DOL-OIG with direct access to claims data for the purpose of audits and investigations.

Most recently, in response to GAO recommendations in October 2021[4] and January 2023,[5] the Department has developed a thorough UI fraud risk profile to align our fraud risk assessment process with the leading practices in the GAO's Fraud Risk Framework. The UI fraud risk profile will allow the Department to identify and implement additional antifraud strategies to mitigate emerging and evolving UI program fraud risks, and serve as the basis of our integrity strategic planning with our state partners.

The Department also recognizes that future efforts to enhance program integrity require careful monitoring of the challenges that have faced the program. In accordance with the Payment Integrity Information Act (PIIA), the Department develops improper payment estimations to provide an understanding of the causes of such payments and to inform efforts to prevent and reduce such payments. Most recently, we have completed a study of improper payments in the PUA program.[6] In this study, the Department used a sample size of claims sufficient to generate a statistically valid point estimate of the national PUA improper payment rate, and a claim review process that was developed by program staff who are experts in the PUA program—including all eligibility requirements and how they changed over time. The analysis was enhanced and refined by incorporation of PUA administrative data reported by the states.

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[4] GAO, COVID-19: Additional Actions Needed to Improve Accountability' and Program Effectiveness of Federal Response, GAO-22-105051, October 27, 2021, https://www.gao.gov/products/gao-22-105051.

[5] GAO, Unemployment Insurance: Data Indicate Substantial Levels of Fraud during the Pandemic; DOL Should Implement an Antifraud Strategy, GAO-23-105523, January 23, 2023, https://www.gao.gov/products/gao-23-105523.

[6] The report was posted to the ETA website on August 21, 2023: https://oui.doleta.gov/unemploy/pdf/Pandemic Unemployment Assistance Improper Payment Rate Report.pdf.

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Sincerely,

Brent Parton
Principal Deputy Assistant Secretary.

Appendix VII: GAO Contact and Staff Acknowledgments

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