GAO U.S. Government Accountability Office

Pandemic Unemployment Assistance: States' Controls to Address Fraud

GAO-24-107471
Q&A Report to Congressional Requesters
July 23, 2024

Why This Matters

Fraud poses a significant risk to the integrity of federal programs and erodes public trust in government. The unemployment insurance (UI) system has faced long-standing challenges with effective service delivery and program integrity, which worsened during the COVID-19 pandemic because of historic levels of job loss, among other reasons. As a result of these long-standing challenges, in June 2022 we designated the UI system as a high-risk area.

The Department of Labor (DOL) oversees UI, and states design and administer their own UI programs within federal parameters. The CARES Act, enacted in March 2020, created three new federally funded temporary UI programs that expanded UI benefit eligibility, enhanced benefits, and extended benefit duration. One of these was the Pandemic Unemployment Assistance (PUA) program.

The unprecedented demand for UI benefits and the need to quickly implement the new programs increased the risk of fraud. In February 2023, the Comptroller General of the United States testified before the Committee on Ways and Means of the U.S. House of Representatives that DOL and the states were not adequately prepared to handle UI fraud risks when the pandemic began. In March 2023, we were asked to continue our work to develop a comprehensive estimate of UI fraud during the pandemic and address DOL and states' efforts for identifying and recovering UI overpayments. In September 2023, we estimated that the amount lost to fraud in DOL's UI programs during the pandemic—from April 2020 through May 2023—was likely between $100 billion and $135 billion. Additionally, our analysis found higher fraud rates for PUA payments than for other UI program payments. In this report, we provide additional information on the controls that states used to prevent and detect fraud in their PUA programs.

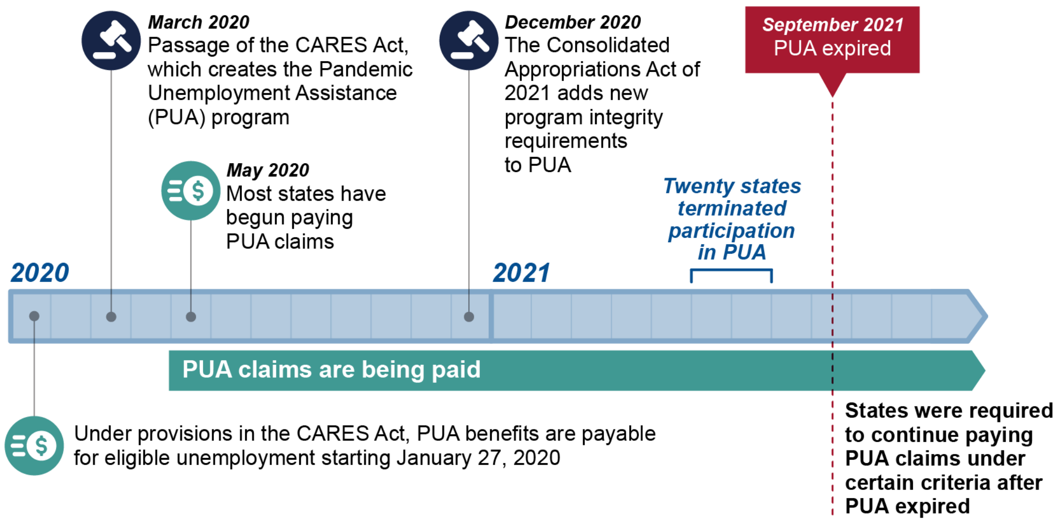
Key Takeaways

- States faced challenges in rapidly implementing their new PUA programs and in establishing effective antifraud controls in response to the unprecedented unemployment caused by the COVID-19 pandemic.
- The controls used by states to manage fraud risk varied but, in general, all states within our review increased the variety of controls used in their PUA programs as the pandemic progressed. Sometimes states added new controls in response to the availability of new resources or after identifying program vulnerabilities.
- State officials we spoke with from 14 selected states said that implementing new controls, or expanding existing controls, helped them to address fraud risks they identified in their state's PUA program.
- A key lesson learned is that failing to apply a new control to previously approved continuing claims may leave a state vulnerable to fraud and lessen the efficacy of the control at mitigating fraud risk in the program.

What was the PUA program?

The PUA program was one of several temporary federally funded programs created in March 2020 by the CARES Act to expand unemployment insurance benefits.[1] The PUA program provided unemployment insurance benefits for workers not eligible under regular UI rules for benefits – such as self-employed workers and independent contractors – who were unable to work as a result of the COVID-19 pandemic.[2] PUA benefits varied from state to state. According to our June 2022 analysis of 40 states, the average PUA compensation amount was $232 per week, with a low of $113 per week and a high of $326 per week.[3] See figure 1 for an overview of the timeline of the PUA program.

Figure 1: Timeline of the Pandemic Unemployment Assistance (PUA) program



Sources: GAO analysis of PUA information; Icons-Studio/stock.adobe.com (icons). | GAO-24-107471

As noted in figure 1, the passage of the Consolidated Appropriations Act of 2021 in December 2020 substantially changed PUA requirements. The act added a requirement for PUA claimants to provide documentation substantiating their prior employment or self-employment. Previously, PUA claimants could self-certify their employment history and eligibility. The act also required claimants to recertify with their state each week that they continued to meet the eligibility requirement of not being able to work as a result of COVID-19. Additionally, under the act, states were required to have procedures for identity verification or validation and for timely payment of PUA benefits, to the extent reasonable and practicable.[4] States generally required individuals who received PUA benefits to which they were not entitled to repay those benefits, though states could waive that requirement under certain conditions.[5]

While the PUA program expired on September 6, 2021, some states ended participation in this temporary federally funded program earlier.[6] According to DOL, 20 states terminated participation in the PUA program between mid-June and late July 2021.[7] In July 2021, DOL issued guidance to states regarding their responsibilities after they stopped participating in the CARES Act UI programs, or after the programs expired, whichever came first.[8] For example, states were required to process and pay PUA benefits to eligible claimants for all weeks of unemployment before the program ended. In addition, for 30 days after the PUA program ended, states were required to continue accepting new PUA applications for weeks of unemployment before the program ended.

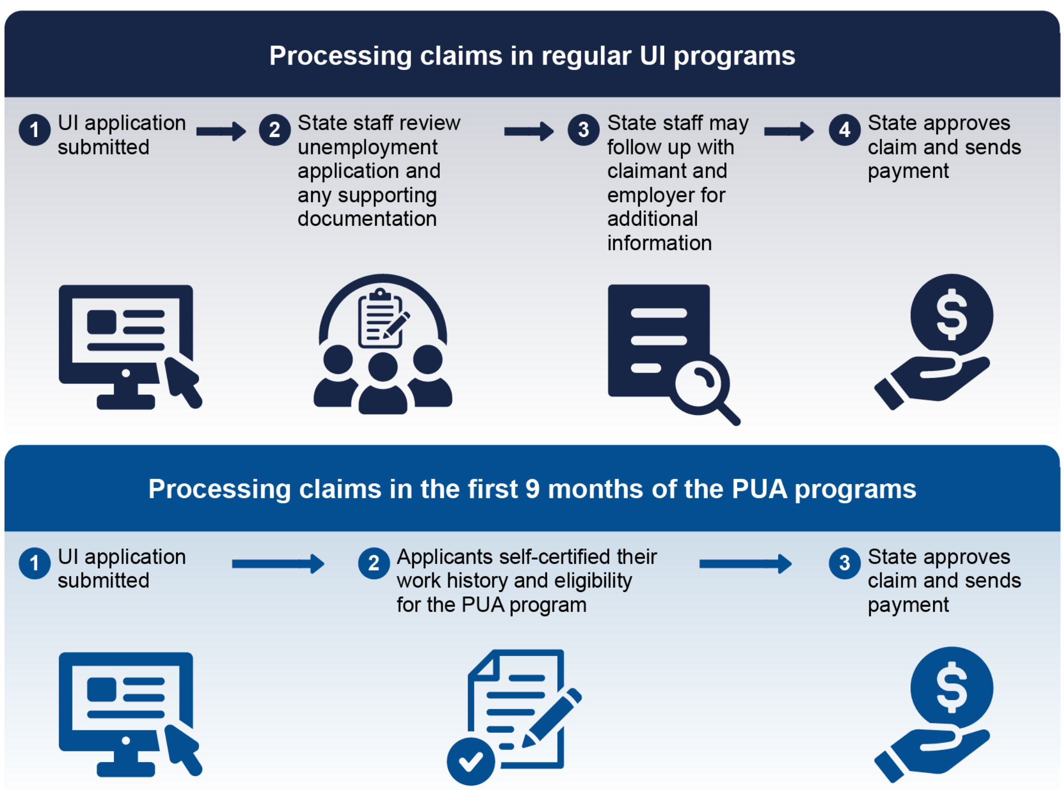
Who was responsible for administering the PUA program, and how were claims processed?

Program administration. The federal government and states work together to administer UI programs, including the PUA program.[9] States are responsible for designing and administering their own UI programs, within federal parameters. 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.[10] During the pandemic, states continued to operate their regular UI programs while administering the pandemic UI programs—including the PUA program.

Claims process. In general, to claim PUA benefits, individuals submitted an initial application (also referred to as an initial claim) to their state to receive a determination of basic eligibility for the program. The application included a self-certification, required by law, that the applicant's unemployment or inability to work was due to one of the COVID-19 related reasons identified in the CARES Act.[11] Such reasons included that an individual's place of work was closed due to COVID-19.[12] After the initial application, individuals were required to complete weekly self-certifications of their continued eligibility for PUA benefits and to claim benefits for the prior week of unemployment (also referred to as continued claims). With the passage of the Consolidated Appropriations Act of 2021, the self-certification requirement was amended, and states were required to review documentation supporting an applicant's self-certification of prior employment or self-employment.

The process for verifying PUA claims was different than the process used for regular UI claims (see fig. 2).

Figure 2: Comparison of Steps Used by States to Process Claims under the Regular Unemployment Insurance (UI) and the Pandemic Unemployment Assistance (PUA) Programs



Sources: Pandemic Response Accountability Committee; Icons-Studio/stock.adobe.com (icons). | GAO-24-107471

Notes: The process shown in this graphic changed with the Consolidated Appropriations Act of 2021, which required states to review documentation supporting an applicant's self-certification of prior employment or self-employment.

For the purposes of this report, we use the term state to refer to the state, district, or territorial workforce agency that administers the UI programs, including the PUA program. PUA was also available in Guam, American Samoa, the Commonwealth of the Northern Mariana Islands, the Federated States of Micronesia, the Republic of the Marshall Islands, and the Republic of Palau. When we refer to states management of PUA these territories and freely associated states are included.

Eligible PUA claimants were entitled to a minimum weekly compensation amount but could be eligible for a higher amount.[13] As we have previously reported, DOL officials told us that to facilitate implementation of the new program, most states decided to initially pay PUA claimants the minimum allowable benefit and then recalculate their benefits later based on claimants' documentation of their prior earnings.[14]

An additional difference between the PUA program and the regular UI program was that when processing regular UI claims, states can confirm employment and other information with the employers. Many PUA applicants were self-employed or independent contractors, so states could not perform this verification control as they traditionally would. As discussed later, some of the unique processing steps for the PUA program and lack of antifraud controls may have made the program more vulnerable to fraud.

How did PUA program implementation vary across states?

Flexibility in how states implemented the PUA program allowed for variation across states in the systems states used for their PUA programs. For example, some states implemented the PUA program within their regular UI systems. This allowed those states to utilize some of the existing controls from those systems. While using legacy systems could allow states to leverage existing controls, if the legacy system had challenges, these could be worsened by the increased volume of new claims during the pandemic. In a December 2021 report, the Pandemic Response Accountability Committee (PRAC) cited that one state's auditor found that the state's system had unresolved deficiencies that created processing issues.[15] For example, with the increase of claims during the pandemic, many applicants in that state encountered technical errors. Similarly, in the same report, the PRAC cited that another state's auditor found that the state's UI system was outdated and unable to detect and prevent fraudulent claims automatically.

Other states worked with contractors to set up new systems dedicated to the PUA program with new functionality not available in the systems used for their regular UI programs. However, some states faced challenges when implementing new programs. For example, according to the December 2021 PRAC report, one state's UI system is based on a mainframe computer from the 1970s.[16] When integrating the newly developed PUA program to operate with the existing UI system, the state faced an increase in system errors that sometimes caused denials of eligible applicants' claims or delays in processing the claims. We and the DOL Office of Inspector General (OIG) have previously 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.[17]

What antifraud controls were available for states to use in their PUA programs?

A variety of controls were available for states to use in their PUA programs to manage different fraud risks.

Identity verification. Verification of government-issued identification, either directly or using a third-party service, enabled states to help ensure that the individual applying for benefits was who they claimed to be. While identity verification has been available to states for some time, DOL emphasized in its 2024 UI transformation plan and earlier program letters that the pandemic emphasized the need for a robust identity verification strategy in state UI programs.[18] Identity verification could include individuals presenting identity documents in person or through a virtual platform.

Cross-matching external data sources. States could use the Social Security Administration's (SSA) crossmatch to verify that the Social Security number used with a claim was real. States could use other controls, like the Systematic Alien Verification for Entitlement (SAVE) program to confirm an applicant's immigration status and to help ensure that benefits were not going to ineligible individuals. Other tools, like the State Information Data Exchange System, provided assistance to states in verifying applicant information, such as employment separation information, and by digitizing many of the claims processing steps.

The National Association of State Workforce Agencies (NASWA) UI Integrity Center's Integrity Data Hub (IDH)—a multistate data system with data crossmatching and analysis capability—assisted states in reducing the risk of claimants applying for benefits in multiple states. Likewise, states could use the Interstate Connection Network to reduce the risk of applicants submitting claims in multiple states. The tool allowed states to share data and confirm that an applicant was not receiving UI benefits or wages in other states. States could similarly match application data against their state directory of new hires data to check whether the applicant was currently employed and earning wages in their state.

In a prior review in March 2021, we also reported that, according to NASWA officials, crossmatching can identify potentially fraudulent UI claims, such as instances where a single bank account or email address is associated with multiple claims in multiple states, or when a deceased individual's information is used to file a fraudulent claim for benefits.[19] We saw examples of these types of flags in our own review of a sample of PUA payments from selected states in our September 2023 work on UI. The DOL OIG used data analytic procedures to identify the presence of fraud indicators for this sample and provided these flags to us for further review. This sample of payments included an email address that was associated with over 2,000 other payments.

In December 2023, the DOL OIG updated its website to highlight multiple recommendations to Congress to improve UI program integrity, including that Congress should require states to perform crossmatching with certain federal data systems. The recommendations the DOL OIG highlighted in its December 2023 website update include some that the DOL OIG made in February 2021—for example, that DOL should work with Congress to establish legislation requiring states to crossmatch high-risk claims—which have not been implemented as of May 2024.[20] Consistent with this recommendation to work with Congress, DOL included a legislative proposal in the fiscal year 2024 and fiscal year 2025 President's budgets that would give DOL authority to require states to perform cross-matches.

Analysis of claim data. Tools like Internet Protocol (IP) address verification or data analytics enabled states to flag unusual behavior across claims. An IP address is the numeric address of a computer on the internet. IP address verification could alert states when there were benefit applications for multiple individuals submitted from the same wireless connection or when applications were submitted from IP addresses outside the United States.

States could also use data analytics to identify unusual characteristics of claims that might suggest the claim was fraudulent. In addition, states could use other antifraud tools, such as matching against SSA's death master file to verify applicant identity and eligibility or address other vulnerabilities they identify.

In September 2023, on the basis of its analysis of UI claims during the COVID-19 pandemic, the DOL OIG recommended that DOL, in collaboration with states, establish controls and perform data analytics to mitigate the fraud risk from claims paid to high-risk age categories: individuals under the age of 14 or over the age of 100.[21] DOL did not concur with all of the DOL OIG's September 2023 recommendations and in its response cited concerns related to cost and feasibility of implementation and legal authority to obtain data. Additionally, DOL indicated in its response to the OIG that the agency believes it has already established controls to mitigate fraud through to UI through the agency's UI Fraud Risk Profile and other activities. As of May 2024, the DOL OIG's September 2023 recommendations to establish controls and perform data analytics have not yet been implemented.

What antifraud controls did states use initially in their PUA programs?

States used a variety of controls in the first 9 months of their PUA programs, with the number of controls being used increasing after the first few months. States had to rapidly implement their new PUA programs following passage of the CARES Act in March 2020. The PUA program expanded UI benefits to populations previously not covered by regular UI. At the same time, states were dealing with increasing unemployment due to the COVID-19 pandemic.

April 2020 was the first full month after the PUA program was created, and most states had begun paying PUA claims by the end of May 2020. This initial rapid program development, and the December 2020 passage of the Consolidated Appropriations Act of 2021—which changed many program requirements—led to distinct operating environments for the PUA program in the first 9 months (through December 2020) and the latter half of the pandemic (post-December 2020).

We surveyed state officials to understand the controls they initially implemented in their PUA programs. According to the survey responses from officials at states, the variety of controls used increased significantly in the first few months of PUA program implementation (see table 1). States continued to increase their utilization of controls as the pandemic further progressed (see the peak month column in table 1). For example, states increased their participation in the IDH—a multistate data system with data crossmatching and analysis capability—to identify potential fraud in PUA and other programs within the UI system, according to DOL and NASWA officials. According to DOL, states have continued increasing participation in the IDH even after the end of the PUA program to assist in addressing fraud risk in their regular UI programs. As of 2024, all states and territories are now participating in the IDH.

Table 1: Controls That States We Surveyed Reported Using Early in Their Pandemic Unemployment Assistance (PUA) Programs

Control description	Percentage of responding states that reported using the control by that month or earlier			
	April 2020	May 2020	June 2020	Peak month[a]
Verification of government-issued ID	35.4[b]	54.2	58.3	85.4
Third-party vendor-provided identity verification service	18.8	25.0	29.2	79.2
National Association of State Workforce Agencies Integrity Data Hub	47.9	54.2	62.5	83.3
Systematic Alien Verification for Entitlement	72.9	89.6	93.8	97.9
Interstate Connection Network	54.2	58.3	62.5	70.8
State Information Data Exchange System	41.7	43.8	43.8	45.8
Social Security Administration cross-match	52.1	66.7	66.7	75.0

State Directory of New Hires cross-match	58.3	60.4	60.4	72.9
Internet Protocol address	47.9	60.4	68.8	87.5
Data analytics	43.8	54.2	58.3	91.7
Other fraud prevention tools[c]	64.6	79.2	85.4	100

Source: GAO analysis of state survey responses. | GAO-24-107471

Note: In spring 2023, we surveyed the state workforce agencies in 50 states and the District of Columbia. Three states did not respond to our survey by the deadline. The results of our survey reflect responses from 47 states and the District of Columbia. For the purposes of this report, when we refer to states' administration of the PUA program, we include states, territories, and freely associated states.

[a]Peak month refers to the month in which the highest number of states surveyed responded that they used a control in their PUA program. The specific month may vary by control.

[b]The percents displayed refer to the percentage of responding states and the District of Columbia that reported using the control at any point in the specified month for their PUA programs. We did not independently verify the information states reported on when controls were used or whether controls were used on all PUA claims, or only a subset of claims.

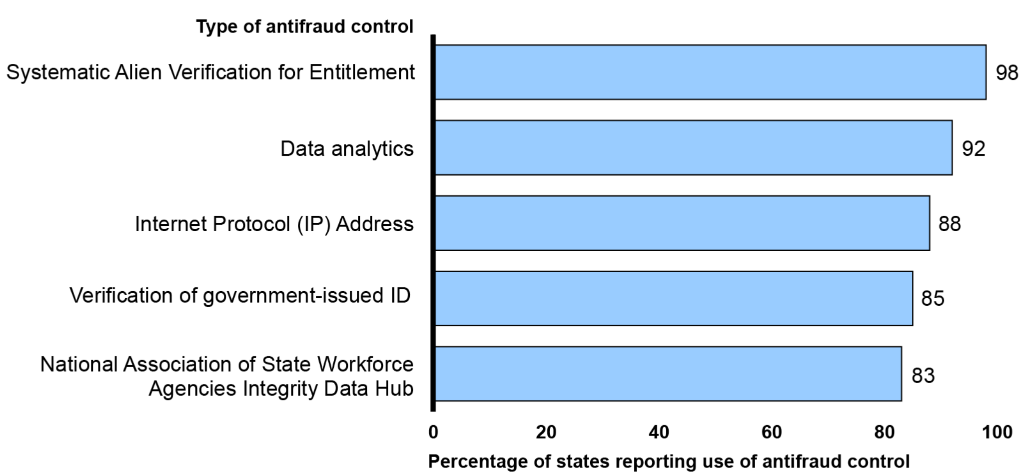
[c]Other fraud prevention tools include, but are not limited to, additional controls, such as the Social Security Administration's death cross-match, Vital Statistics cross-match, Department of Motor Vehicles cross-match, fictitious employer cross-matches, and other comparisons that detect shared applicant characteristics (e.g., phone numbers or banking information) on multiple claims.

What antifraud controls were most commonly used by states during the pandemic?

While each state's PUA program varied to meet the needs of that state's population and any related state regulations, states used some common controls to manage fraud risk in their PUA programs. See figure 3 for additional information on antifraud controls that states reported using in their PUA programs.

For example, almost all the states we surveyed reported using the SAVE program. SAVE helps federal, state, tribal, and local government agencies verify the applicant's authorization to work in the United States.[22] Over 85 percent of the states that responded to our survey reported using IP address verification in their PUA programs. IP address verification can alert states when there are benefit applications for multiple individuals submitted from the same wireless connection or when applications are submitted from IP addresses outside the United States.

Figure 3: Percentage of Surveyed States Reporting Use of Particular Antifraud Controls in their Pandemic Unemployment Assistance (PUA) Programs



Source: GAO analysis of survey responses. | GAO-24-107471

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Using a variety of controls is critical in managing program risk because a single control may not be able to prevent or detect all types of fraud. For example, we identified a case in our review of PUA claim files obtained from states in which an identity verification control and a residency control were both needed to identify potential fraud. Specifically, for a claim submitted in February 2021, the state used a third-party service to verify the applicant's identification. The applicant's identity was verified without issue. However, when asked for verification of income and residency, the applicant submitted documentation indicating work in a different state and earnings less than what was listed on the application. The applicant continued receiving PUA benefits until July 2021, totaling over $13,000, when benefits were suspended because the applicant failed to provide evidence of state residency.

A control's efficacy can depend on the rigor of the control's implementation. For example, collecting Form W-2, Wage and Tax Statements (W-2), or other proof of work history from a claimant can be an effective control to ensure applicant eligibility. However, we identified an instance where the state accepted a W-2 with multiple fonts in different portions of the document and Social Security numbers that did not match the applicant's, suggesting that the W-2 was likely edited.

What risks did states identify in their PUA programs, and how did they respond?

States identified many risks in their PUA programs—including the use of false identity documents and benefits hijacking. States implemented new controls to address the risks identified. Officials we interviewed from 14 selected states said that when they identified risks in their PUA programs, they sometimes implemented additional antifraud controls in response. For example:

- Officials at one state we spoke with explained that they implemented a new identity verification service upon observing a surge in suspected fraudulent PUA claims in July 2020. Officials explained that as the pandemic progressed, they continued to improve their fraud detection controls – such as by adding a check for duplicate banking or address information across claims.
- Officials from another state noticed an increase in instances of benefits hijacking – when the benefits from a valid PUA claim were misappropriated and taken by someone other than the eligible claimant. The state implemented additional identity verification steps, which helped eliminate the surge in benefits hijacking they had observed. This trend was also observed by officials from another state, who similarly saw some success in preventing benefits hijacking by using additional identity verification checks.
- Officials from one state explained that staff evaluated PUA claims throughout the pandemic to identify patterns or trends in claims. For example, the state was able to flag and investigate claims using the same identifying information – such as address or phone number. From these investigations, the state was able to add additional controls to block claims using the suspicious information.

- Officials from one state described their controls as multilayered. As the state learned more about the fraud and any vulnerabilities, it layered on additional verification tools to better control risk.

Some states that implemented identity verification did not apply the control to continuing claims that had been previously approved. This approach could detect fraud on new claims but allowed for continued payments on claims approved in the past. For example, one claimant did not undergo the third-party identity verification because the claim was submitted in July 2020, and the state did not start using identity verification until August 2020. The state paid over $13,000 on the claim across 65 weeks. The claim had several indicators of fraud, including an unusually high number of PUA claims at the single-family address, no connection between the Social Security number on the claim and the state where the claim was filed, and a record of consistent income in a nonneighboring state.

In November 2023, GAO testified that agencies have the opportunity to learn from the experiences during the pandemic and ensure that they are strategically managing their fraud risks in the future.[23] Doing so will enable agencies to carry out their missions, better protect taxpayer dollars from fraud during normal operations, and prepare them to face the next emergency. Also, as reported by PRAC in April 2024, it is important to understand how UI fraud occurred during the pandemic so that agencies can be better prepared to respond for future emergencies while managing fraud risk. Consistent with GAO's testimony and the PRAC's reporting, states may take lessons from the PUA program when considering future temporary UI programs. One lesson is that failing to apply a new control to continuing claims may leave a state vulnerable to fraud and lessen the efficacy of the control at mitigating fraud risk in the program.

What policy decisions affected the risk that states faced?

Policy decisions by Congress, DOL, and states concerning applicant self-certification and the use of automatic backdating in processing claims heightened PUA program risks. In a December 2021 report, the PRAC cited that state auditors had found that the PUA eligibility requirements decreased internal controls and that states' control weaknesses for eligibility verification negatively impacted the states' ability to manage fraud.[24]

Eligibility self-certification. 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.[25] Similarly, our analysis in September 2023 found higher fraud rates for PUA payments than for other UI program payments.[26] Specifically, the CARES Act required states to allow PUA applicants to self-certify their eligibility and did not require them to provide any documentation of self-employment or prior income. The PUA program's initial reliance on self-certification increased the risk for opportunities to commit fraud. In October 2021, we reported that relying on program participants to self-report and self-certify information on agency forms, instead of verifying such information independently, could cause an agency to miss opportunities to prevent program fraud and abuse.[27]

To help address this risk, the Consolidated Appropriations Act of 2021, enacted in December 2020, required individuals to submit documentation of employment or self-employment when applying for PUA benefits. However, in an April 2024 report, the PRAC found that states had limited means to verify the reported income of gig workers or self-employed individuals applying for PUA benefits.[28]

Benefit amount self-certification. Additionally, self-certification was used by some states when setting an initial benefit amount above the minimum PUA benefit amount. As we reported in June 2022, DOL officials said they initially advised states to rely on self-certification when initially setting a benefit amount, rather than defaulting to the minimum benefit amount.[29] This guidance was later updated in July 2020 to clarify that proof of net income was required for self-employed applicants to qualify for a higher benefit than the weekly minimum. In its December 2021 report, the PRAC cited DOL's initial guidance on accepting self-certifications as a partial cause for why the PUA program did not include the typical verification required for regular UI benefits.[30]

As the DOL OIG has previously reported, self-certification is a top fraud vulnerability for states administering the PUA program.[31] In an example illustrating the risk of relying on self-certification, we identified an instance in our review of a sample of PUA payments from selected states where the applicant self-certified that they had to stop their lawn service business in early February 2020 due to COVID-19. However, at that time in the applicants' state, there were no reported cases of COVID-19, nor were there any restrictions in place that would impact the business. From our review of the claim, we identified no actions taken by the state to verify the applicant's self-certification across the 28 weeks the claim was paid, resulting in more than $4,000 in PUA benefits being paid out.

Automatic backdating. The CARES Act provided that states could automatically backdate claims to cover the period of eligible unemployment prior to the submission of the claim. For example, if Applicant X submitted a claim on May 1 indicating that the applicant became unemployed and met the eligibility criteria for PUA beginning on April 1, Applicant X's claim would be backdated to include this period of eligibility prior to the date the claim was submitted. Through May 2020, about 2 months after the CARES Act was enacted, states reported receiving 8 million initial applications for PUA benefits. Backdating of claims allowed for applicants to receive benefits despite delays states faced in processing claims.

Backdating claims could leave programs vulnerable by paying benefits to a claimant before eligibility is fully verified. The backdating process amplified the risk in the program by increasing the amount of money that was issued. An applicant could submit a PUA claim to include weeks prior to when the claim was first submitted.

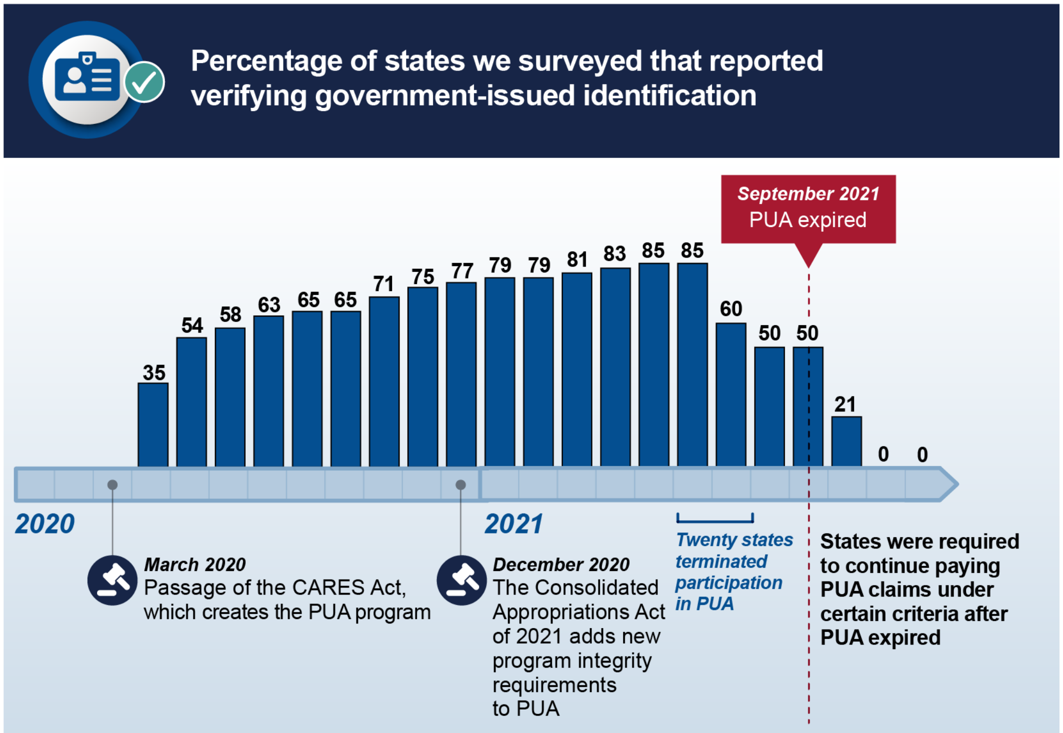
For example, in our review of a sample of PUA payments from selected states, we identified one instance where a state rejected a claim about a month after it was filed due to the failure of the claimant to complete the identity verification process. However, due to the backdating, the individual was paid over $9,000 in PUA benefits before being disqualified through controls in place.

What antifraud controls did selected states identify as being especially helpful?

Officials from three of the 14 selected states we spoke with highlighted identity verification services, including third-party identity verification, as being especially helpful in their administration of PUA programs and managing risk. Identity verification being especially helpful to states in managing risk aligns with the PRAC's April 2024 finding that a substantial proportion of pandemic UI fraud cases it sampled involved the use of stolen identities.[32]

Improving identity verification was also one of the recommendations that DOL's expert Tiger Teams made to many of the states they reviewed. Through December 2023, according to DOL, Tiger Teams engaged with 36 states to identify areas for improvement in operational process and proposed solutions to combat fraud support equitable access for eligible claimants. Tiger Teams are multidisciplinary expert teams funded by DOL grants using American Rescue Plan Act of 2021 funding. Tiger Teams analyzed a state's UI system and processes to identify areas of improvement customized to that state. Officials at one of the 14 states we spoke with highlighted that their state's use of multifactor authentication—using multiple factors to verify identity—was particularly helpful in combating potential fraud related to identity theft. The percentage of states that reported verifying government-issued identification increased prior to, and continued to increase after, the passage of the Consolidated Appropriations Act of 2021 in December 2020 (see fig. 4).

Figure 4: Reported Use of Government-Issued Identification Verification by States in Their Pandemic Unemployment Assistance (PUA) Programs



Sources: GAO analysis of PUA information; Icons-Studio/stock.adobe.com (icons). | GAO-24-107471

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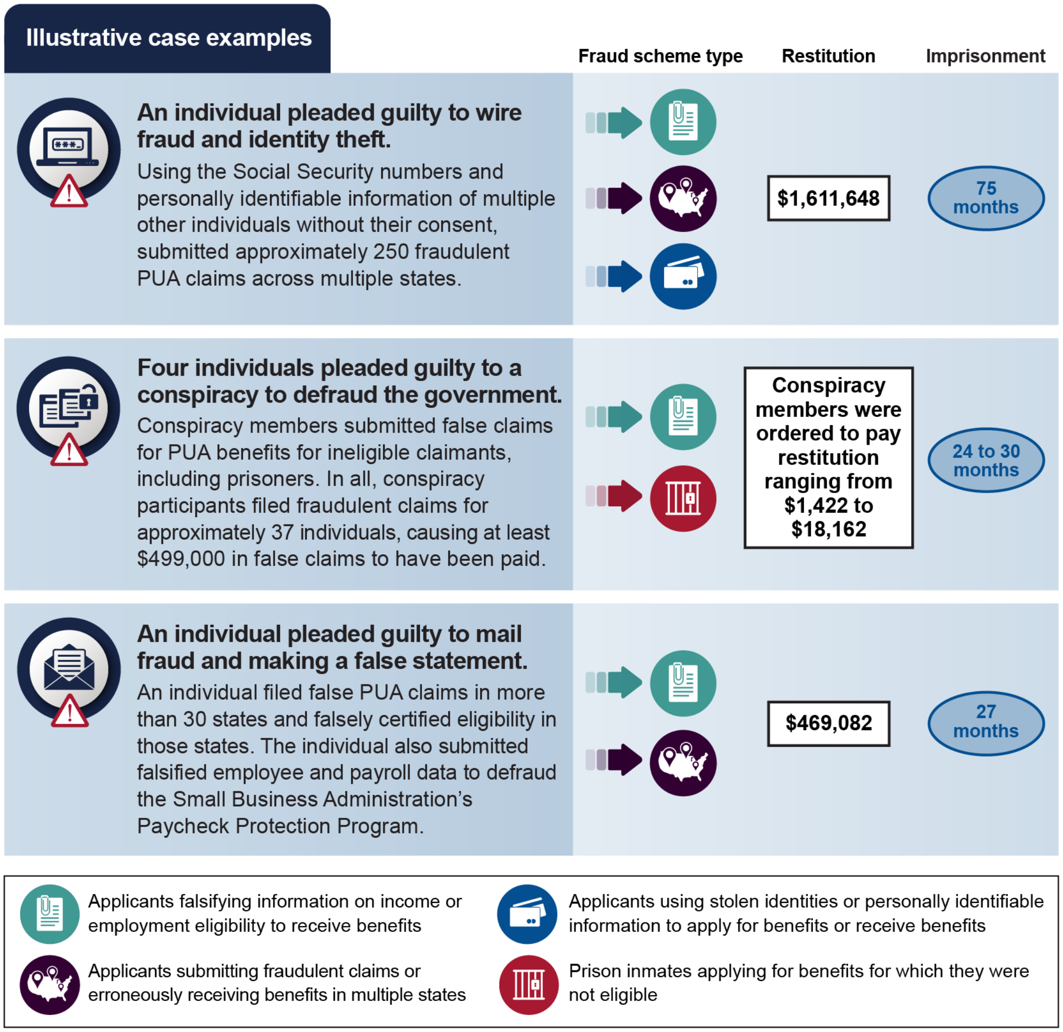
Officials from another state we spoke with explained that, during the pandemic, they began using software that they found helpful in identifying suspicious IP addresses associated with claims. Related to UI and prior to the pandemic, the DOL OIG has identified many cases of fraudulent UI activity, where hundreds of false UI claims are filed from the same IP addresses. In July 2015, the DOL OIG recommended that DOL should recommend that states perform additional verification on claims filed from anonymous IP addresses. Further, the DOL OIG recommended that states should conduct analyses to identify multiple claims originating from the same IP addresses and claims originating from foreign IP addresses.[33] According to DOL officials, the agency has taken actions to implement these recommendations, however as of July 2024 these recommendations have not yet been implemented.

What are examples of PUA fraud schemes?

There were a variety of PUA fraud schemes observed in court-adjudicated cases. These cases reflected the variety of fraud risks that states faced due to differences in the fraud schemes being used. See figure 5 for examples of court-adjudicated cases of PUA fraud.

Figure 5: Examples of Court-Adjudicated Pandemic Unemployment Assistance (PUA) Cases and Related Fraud Risks, Charges, Sentences, and Restitution Amounts



Sources: GAO analysis of Department of Justice information and freebird/stock.adobe.com (icons). | GAO-24-107471

Agency Comments

We provided a draft of this report to DOL for review and comment. We incorporated technical comments from DOL as appropriate.

Additionally, we provided portions of this report to the states we interviewed and the DOL OIG for technical comment. We incorporated any technical comments they provided, as appropriate.

How GAO Did This Study

To obtain basic information about the operation of the PUA program, including the fraud prevention tools implemented by the states, we surveyed 50 states and the District of Columbia. Three states did not respond to our survey by the deadline. Analyzing information from this survey, we identified when states began using specific fraud prevention tools and changes in use over time. We also interviewed officials from 14 states to obtain information about states' PUA application process, job search requirement, and implementation of identity verification services.[34]

Further, we reviewed relevant PRAC, DOL OIG, and prior GAO reports on the PUA program; other temporary UI programs; and other COVID-19 pandemic programs for (1) the status of related recommendations and (2) examples of relevant vulnerabilities and fraud controls identified in earlier work. We reviewed public statements from the Department of Justice from March 2020 through

March 2024 to identify federal fraud-related cases in the PUA program. We also analyzed corresponding court documentation available in Public Access to Court Electronic Records to describe various examples of these cases.

To identify examples of potentially fraudulent PUA claims, in conducting the review for our September 2023 report, we obtained DOL's sample of 2,540 PUA payments that DOL selected as part of DOL's analytics efforts. 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.[35] To identify the presence of any additional fraud indicators, we crossmatched our sample with the SSA Death Master File to identify potentially deceased individuals and with the National Directory of New Hires to identify claimants' unreported wages.[36] For the 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.[37] We also matched information from the case files against SSA's Enumeration Verification System to identify claimants with invalid personal information. As part of our September 2023 work, we assessed the reliability of all data used and determined they were sufficiently reliable for our purposes.

We conducted this performance audit from March 2024 to July 2024 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 our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

List of Addressees

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

The Honorable Jason Smith
Chairman
Committee on Ways and Means
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Endnotes

[1]Pub. L. No. 116-136, 134 Stat. 281.

[2]The PUA program also covered workers with limited recent work history and others who were not covered by the regular UI program under some state laws.

[3]GAO, *Pandemic Unemployment Assistance: Federal Program Supported Contingent Workers amid Historic Demand, but DOL Should Examine Racial Disparities in Benefit Receipt,* GAO-22-104438 (Washington, D.C.: June 7, 2022).

[4]Pub. L. No. 116-260, div. N, tit. II, §§ 241(a), 263(a), 134 Stat. 1182, 1959-1960, 1963.

[5]Pub. L. No. 116-260, div. N, tit. II, § 201(d), 134 Stat. 1182, 1952. According to the Consolidated Appropriations Act of 2021, states can waive the requirement if the individual was without fault and repayment would be contrary to equity and good conscience.

[6]For the purposes of this report, we use the term state to refer to the state, district, or territorial workforce agency that administers the UI programs, including the PUA program. PUA was also available in Guam, American Samoa, the Commonwealth of the Northern Mariana Islands, the Federated States of Micronesia, the Republic of the Marshall Islands, and the Republic of Palau. When we refer to states management of PUA these territories and freely associated states are included.

[7]The 20 states that terminated the PUA program early are Alabama, Arkansas, Georgia, Idaho, Iowa, Louisiana, Mississippi, Missouri, Montana, Nebraska, New Hampshire, North Dakota, Oklahoma, South Carolina, South Dakota, Tennessee, Texas, Utah, West Virginia, and Wyoming. In addition, according to DOL, Indiana and Maryland announced their intent to terminate participation in the PUA program early but, because of litigation at the state level, did not end their participation before the program expired. See GAO, *COVID-19: Additional Actions Needed to Improve Accountability and Program Effectiveness of Federal Response*, GAO-22-105051 (Washington, D.C.: Oct. 27, 2021).

[8]Department of Labor, *State Responsibilities after the Temporary Unemployment Benefit Programs under the Coronavirus Aid, Relief, and Economic Security (CARES) Act, as Amended, End Due to State Termination of Administration or When the Programs Expire*, Unemployment Insurance Program Letter (UIPL) 14-21, Change 1 (Washington, D.C.: July 12, 2021).

[9]Across the 50 states, the District of Columbia, Puerto Rico, and the U.S. Virgin Islands, 53 workforce agencies administer UI programs. For the purposes of this report, when we refer to states' administration of the UI program, we include states, districts, and territories. PUA was also available in Guam, American Samoa, the Commonwealth of the Northern Mariana Islands, the Federated States of Micronesia, the Republic of the Marshall Islands, and the Republic of Palau. When we refer to states management of PUA these territories and freely associated states are included.

[10]Fraud involves obtaining a thing of value through willful misrepresentation. Willful misrepresentation can be characterized by making material false statements of fact based on actual knowledge, deliberate ignorance, or reckless disregard of falsity. Fraud risk (which is a function of likelihood and impact) exists when people have an opportunity to engage in fraudulent activity, have an incentive or are under pressure to commit fraud, or are able to rationalize committing fraud. Fraud risk includes existing circumstances that provide an opportunity to commit fraud. An improper payment is defined 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. It includes, but is not limited to, any payment to an ineligible recipient. See 31 U.S.C. § 3351(4). When an agency cannot determine whether a payment is proper for purpose of producing an improper payment estimate, due to lacking or insufficient documentation, the payment shall be treated as an improper payment. See 31 U.S.C. § 3352(c)(2).

[11]Self-certification of PUA applicant eligibility was set by the CARES Act when the program was created. The requirement for self-certification of prior employment or self-employment was later amended by the Consolidated Appropriations Act of 2021 requiring applicants to provide documentation to support their self-certification. Prior to the enactment of the Consolidated Appropriations Act of 2021, in December 2020, DOL issued guidance in July 2020 to states that self-certification was not sufficient to qualify applicants for a higher PUA benefit than the weekly minimum amount.

[12]For a complete list of reasons, see Department of Labor, *PUA Program Operating, Financial, and Reporting Instructions*, UIPL 16-20 (Apr. 5, 2020); and Department of Labor, Employment and Training Administration, *Expanded Eligibility Provisions for the Pandemic Unemployment Assistance (PUA) Program*, UIPL No. 16-20, Change 5 (Washington, D.C.: Feb. 25, 2021). The Consolidated Appropriations Act of 2021 added new requirements to the PUA program, including that individuals must generally provide documentation substantiating their prior employment or self-employment. Pub. L. No. 116-260, div. N, tit. II, § 241(a), 134 Stat. 1182, 1959-60.

[13]According to DOL, states must use the amounts set in UIPL 3-20 as the minimum PUA weekly benefit for all claims. See Department of Labor, Employment and Training Administration, *Coronavirus Aid, Relief, and Economic Security (CARES) Act of 2020 – Pandemic Unemployment Assistance (PUA) Program Reporting Instructions and Questions and Answers,* UIPL No. 16-20, Change 1 (Washington, D.C.: Apr. 27, 2020); and Department of Labor, Employment and Training Administration, *Minimum Disaster Unemployment Assistance (DUA) Weekly Benefit Amount: January 1 - March 31, 2020*, UIPL No. 3-20 (Washington, D.C.: Dec. 12, 2019).

[14]For more information, see GAO, *COVID-19: Critical Vaccine Distribution, Supply Chain, Program Integrity, and Other Challenges Require Focused Federal Attention*, GAO-21-265 (Washington, D.C.: Jan. 28, 2021).

[15]Pandemic Response Accountability Committee, *Key Insights*: *State Pandemic Unemployment Insurance Programs* (Washington, D.C.: Dec. 16, 2021).

[16]Pandemic Response Accountability Committee, *Key Insights.*

[17]GAO, *Unemployment Insurance: DOL Needs to Further Help States Overcome IT Modernization Challenges*, GAO-23-105478 (Washington D.C.: Jul. 10, 2023).

[18]Department of Labor, *Building Resilience: A plan for transforming unemployment insurance* (Washington D.C.: Apr. 2024). Examples of earlier DOL program letters highlighting the importance of identity verification in UI claims include: Department of Labor, *Addressing Fraud in the Unemployment Insurance System and Providing States with Funding to Assist with Efforts to Prevent and Detect Fraud and Identity Theft and Recover Fraud Overpayments in the Pandemic Unemployment Assistance and Pandemic Emergency Unemployment Compensation Programs,* UIPL No. 28-20, (Washington, D.C.: Aug. 31, 2020) and Department of Labor, *Identity Verification for Unemployment Insurance (UI) Claims,* UIPL No. 16-21, (Washington, D.C.: Apr. 13, 2021).

[19]GAO, *COVID-19: Sustained Federal Action Is Crucial as Pandemic Enters Its Second Year*, GAO-21-387 (Washington, D.C.: Mar. 31, 2021).

[20]Department of Labor, Office of Inspector General, *The Employment and Training Administration Needs to Ensure State Workforce Agencies Implement Effective Unemployment Insurance Program Fraud Controls for High-Risk Areas,* 19-21-002-03-315 (Washington, D.C.: Feb. 22, 2021).

[21]The DOL OIG identified over $1 billion in potentially fraudulent UI payments made during the pandemic to applicants filing claims associated with Social Security numbers of individuals under the age of 14 or over the age of 100. As workers do not typically fall into these age categories, the DOL OIG classifies them as high-risk age. Department of Labor, Office of Inspector General, *ETA Needs to Incorporate Data Analytics Capability to Improve Oversight of the Unemployment Insurance Program,* 19-23-012-03-315 (Washington, D.C.: Sept. 25, 2023).

[22]Department of Labor, *SAVE – Automated Secondary Verification of Aliens' Status,* UIPL No. 12-03, (Washington D.C.: Jan. 2, 2003).

[23]GAO, *COVID-19: Insights and Actions for Fraud Prevention*, GAO-24-107157 (Washington, D.C.: Nov. 14, 2023).

[24]Pandemic Response Accountability Committee, *Key Insights.*

[25]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).

[26]GAO-23-106696.

[27]GAO-22-105051.

[28]Pandemic Response Accountability Committee, *Why Unemployment Insurance Fraud Surged During the Pandemic* (Washington, D.C.: Apr. 2024).

[29]GAO-22-104438.

[30]Pandemic Response Accountability Committee, *Key Insights.*

[31]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*, 19-21-001-03-315 (Washington D.C.: Oct. 21, 2020).

[32]Pandemic Response Accountability Committee, *Why Unemployment Insurance Fraud Surged.*
[33]Department of Labor, Office of Inspector General, *Investigative Advisory Report: Weaknesses Contributing to Fraud in the Unemployment Insurance Program,* 50-15-001-03-315 (Washington, D.C.: July 24, 2015).

[34]We selected the 14 states—Arizona, California, Florida, Georgia, Illinois, Kansas, Michigan, Nevada, New Jersey, New York, Pennsylvania, Rhode Island, Texas, and Washington—to reflect a variety of DOL's Benefit Accuracy Measurement program fraud rates and state population sizes.

[35]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.

[36]The National Directory of New Hires (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.

[37]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.