

TRAINING AND EMPLOYMENT NOTICE	NO. 5-20
	DATE September 24, 2020

TO: STATE WORKFORCE AGENCIES

FROM: JOHN PALLASCH 
Assistance Secretary

SUBJECT: National Directory of New Hires (NDNH), State Directory of New Hires (SDNH), and Other Improper Payment Prevention and Detection Resources, Tools, and Services Available to States

1. **Purpose.** To remind states of resources, tools, and services available through the Unemployment Insurance (UI) Integrity Center and the U.S. Department of Labor's (Department) Employment and Training Administration (ETA) to support effective use of NDNH and SDNH and assist in preventing and detecting UI improper payments, and announce the availability of a webcast on Recommended Operating Procedures (ROPs) for Cross-Matching Activities with National and State Directories of New Hires and state best practices in the use of the NDNH and the SDNH.
2. **Action Requested.** ETA requests State Administrators to provide the information in this notice to appropriate program staff and strongly encourages State Administrators to integrate the resources, tools, and services described in this guidance into the state UI operation.
3. **Summary and Background.**
 - a. Summary – This notice provides state UI agencies information regarding available resources to assist with the NDNH and the SDNH cross-matches, as well as information on other integrity strategies to maximize state efforts to prevent improper UI benefit payments.
 - b. Background – UI program integrity is a top priority for the ETA. The recent enactment of the Coronavirus Aid, Relief and Economic Security (CARES) Act of 2020 created several new temporary unemployment compensation (UC) programs that involved swift implementation, the processing and management of an unprecedented volume of claims, and a rise in UI fraud attempts that continue to test UI program integrity. States may mitigate increasing UI workloads and staff limitations by using resources, tools, and services, which target improper payments and fraud, to develop efficient prevention and detection practices. ETA strongly encourages states to utilize the resources, tools, and services described in this notice.

As the economy reopens and an unprecedented number of individuals return to work, the risk of improper payments due to Benefit Year Earnings (BYE) errors is high. BYE

errors result when individuals continue claiming UI benefits and fail to appropriately report earnings after returning to work. For the 12-month period ending June 30, 2019, the Department reported an estimated national fraud improper payment rate of 3.23 percent (or \$845 million). BYE errors accounted for an estimated 58.5 percent (or \$494 million) of these fraudulent payments. States must remain vigilant in focusing on BYE improper payments and make every effort to ensure the agency is coordinating resources, collaborating with the UI Integrity Center, and taking aggressive steps to prevent, detect, and recover these improper payments.

NDNH and the SDNH cross-matches are the most effective strategies to address BYE errors. Both cross-matches are beneficial, since they allow states to compare, at different periods during the lifecycle of a UI claim, in-state employment (the SDNH) and out-of-state employment (the NDNH) information to UC payments made to claimants.

ETA strongly encourages state use of SDNH and NDNH under Unemployment Insurance Program Letter (UIPL) No. 19-11, *National Effort to Reduce Improper Payments in the Unemployment Insurance (UI) Program*. The advantages of using the NDNH and the SDNH are described in UIPL No. 13-19, *National Directory of New Hires (NDNH) and State Directory of New Hires (SDNH) Guidance and Best Practices* and the attached *Recommended Operating Procedures for Cross-Matching Activity: National and State Directories of New Hires (ROPs)*. States are strongly encouraged to integrate the guidelines specified in UIPL No. 13-19 and the ROPs to improve NDNH and SDNH (New Hires) utilization, notably Missouri and Wisconsin optimized their New Hires operations through the adoption of the guidance in UIPL 13-19 and the ROPs. Missouri established a criteria for sorting overpayment cases between high and low to prioritize cross-match hits (when the cross-match identifies that there is a date of hire during the same period as UI benefit payments it results in a hit), and Wisconsin automated their processing of New Hires cross-match hits received. Both of these strategies are described in the ROPs, section 4.5 Using Parameters for Workload Management. Additionally, as discussed in the ROPs section, 4.4 Frequency and Timing of Cross-Matches, Missouri increased their New Hire cross-match submissions and Wisconsin submits their SDNH cross-match each day and NDNH cross-match each week. States are reminded that implementation of these guidelines provide an efficient means to combat improper payments resulting from BYE errors. Furthermore, UIPL No. 13-19 and the ROPs outline guidance for states to integrate into their UI operations to improve cross-match outcomes by targeting employer, claimant, and the UI agency roles and the overall steps involved in the NDNH and SDNH processes from inception to completion.

The UI Integrity Center is a state-driven source of innovative program integrity strategies to prevent and detect improper payments and reduce fraud, including several strategies included in the Department's Program Integrity Strategic Plan. It is an important resource to support states in their effective use of NDNH and SDNH.

- 4. Available Improper Payment Resources, Tools, and Services.** Technical assistance, tools, and resources are available through the UI Integrity Center at <https://integrity.naswa.org/>and

the UI Community of Practice on the Department's knowledge sharing site, WorkforceGPS at <https://www.workforcegps.org/login?returnUrl=https://ui.workforcegps.org/&siteFor=ui>. Additionally, states may contact the UI Integrity Center State Liaison for their region for additional assistance at <https://integrity.naswa.org/contact-us>.

a. NDNH and SDNH Cross-matches.

The UI Integrity Center created a webcast that discusses UIPL No. 13-19 and the ROPs, highlighting successful state practices, including those achieved by Missouri and Wisconsin, regarding the integration of the guidance in state UI operations. The webcast, *National Directory of New Hires (NDNH) Hits Webinar: Successful Practices and Common Errors*, is available through the UI Integrity Center at <https://library.naswa.org/coll/ui>. States may contact their UI Integrity Center State Liaison to request any needed technical assistance about integrating the guidelines and methods specified in UIPL No. 13-19 and the ROPs. States may also contact their ETA Regional Office for information and assistance on these matters.

In the guidance provided in UIPL No. 13-19 and the ROPs, ETA considers the role of the claimant and the employer in the prevention of BYE errors. As claimants return to work, it is essential that claimant and employer legal obligations and requirements are communicated and reinforced by states. ETA recommends use of claimant and employer messaging as an effective strategy to provide claimants and employers with ongoing reminders of their responsibilities. The type of information communicated through claimant and employer messaging should include: 1) reminding claimants of their responsibilities to report income information when claiming UC, and the consequences of committing fraud; 2) reminding claimants of the need to provide true and accurate information; 3) reminding claimants of the general instructions on wage reporting, 4) reminding employers of their legal obligations for reporting newly hired and rehired individuals (new hires) to their SDNH; 5) reminding employers of instructions for accurate new hires reporting, and highlighting any reporting deficiencies; and 6) reminding employers of the general reporting instructions for new hires.

Employer messaging should focus on promoting employer compliance and reporting, and to ensure that the maximum amount of New Hires (NDNH and the SDNH) data is available for cross-matching to identify when a claimant has returned to work. The availability and accessibility of quality new hire data has proven to be a highly successful tool for state UI agencies in the early detection of UI benefit overpayments and can be used to substantially reduce average weeks paid and dollar amounts of overpayments.

The effectiveness of New Hires cross-matches, however, is only realized if employer compliance in reporting new hires is timely and accurate. Employers are required to submit New Hires data to the SDNH by a deadline that each state designates. The Department of Health and Human Services' Office of Child Support Enforcement (HHS-OCSE) is the Federal agency that manages the NDNH. Quarterly reports that are provided to states by HHS-OCSE contain information about employers that may not have

reported new hires. HHS-OCSE may also notify states of employer reporting inaccuracies or the reporting of incomplete new hires information. States are strongly encouraged to review these reports and remind those employers that appear to be noncompliant of the requirement to report new hires. In notifying employers of this requirement, states are encouraged to also include information on how to correctly report New Hires data and its value in preventing UI improper payments, which helps keep UI employer taxes low. ETA strongly encourages states to adopt messaging as an improper payment prevention strategy, and contact the UI Integrity Center State Liaison for their region for information and assistance. The UI Integrity Center has several resources on claimant and employer messaging including the UI Claimant and Employer Messaging Toolkit; <http://www.itsc.org/Pages/UI-Messaging.aspx>, and examples of state integrity messaging strategies in the Integrity Center Knowledge Exchange Library State Practices Portfolio, <https://library.naswa.org/>.

Additionally, state UI agencies are encouraged to collaborate with the agency in their state responsible for the New Hires directories to promote greater employer compliance, such as having laws or regulations in place to impose monetary or nonmonetary penalties on employers for failure to report new hires and ensuring enforcement of those penalties. The ETA's data demonstrate that states that more actively promote and enforce employer compliance with New Hires reporting have more complete and accurate New Hires data and, as a result, have lower BYE overpayment rates. Several states including, Georgia, South Dakota, Georgia, Texas, and Utah, are notably proactive in their efforts to further employer compliance. HHS-OCSE identified these states because they have teams dedicated to employer outreach and some impose penalties for employer non-compliance. The UI Integrity Center also developed resources to assist states with their NDNH and SDNH operations. The *Blueprint Prevention/Detection: Crossmatches: National Directory of New Hires* and the *Blueprint Prevention/Detection: Crossmatches: State Directory of New Hires* may contain useful information and are accessible from the UI Integrity Center's State Practices Portal, <https://integrity.naswa.org/state-portfolio-database/state-practices>.

In addition to using the SDNH and the NDNH, the regulation at 20 CFR 603.23(b) requires states to cross-match employers quarterly wage records with state agency UC payment information, to detect individuals that have worked and received UC during the same period. To fulfill this requirement, states should continue to use the quarterly wage cross-match to bolster their efforts to detect and prevent BYE errors.

b. Additional UI Integrity Center Resources, Tools, and Services

The UI Integrity Center provides a wide array of other resources, tools, and services to improve program integrity. Some tools are contained in the Integrity Data Hub (IDH). The IDH is a secure, robust, centralized, multi-state data system that allows participating state UI agencies to submit claims for cross-matching, distribute and receive fraud alerts, and obtain data analytics on multi-state claims. The following IDH functionalities are currently available to participating states:

- Suspicious Actor Repository (SAR): states match UI claims against other states' known suspicious claims data. This tool allows each state to benefit from the investigative work of other participating states as claims data associated with known or probable UI fraud is submitted and stored in the SAR for cross-matching purposes.
- Suspicious E-Mail Domains: participating states cross-match their claims against a database of suspicious E-mail domains that have been associated with fraudulent activity (ex. Yopmail). The IDH flags claims with these domains for further investigation by the submitting State.
- Multi State Cross-Match (MSCM): the IDH collects and stores claims data submitted by states creating a multi-State database of UI claims data. Using this database, the IDH is able to identify if UI claims data is being used across multiple states (ex. flagging a Social Security Number that is being used across four different states). The MSCM also provides a lookback capability to identify after-the-fact matches based on new claims or fraud activity data submitted to the IDH.
- Fraud Alert System: states share information through the secure IDH environment on emergent fraud schemes/activity identified in their states. The system allows participating states to review information on emergent fraud schemes and to receive updates to improve awareness across the community. The IDH Fraud Alert System is available to all states independent of the state participating in other IDH functionalities.
- Identity Verification (IDV): states access datasets through the secure IDH environment to conduct identity verification and to prevent fraudulent improper payments early in the claims taking process.

Other valuable UI Integrity Center resources include the following:

- National Integrity Academy (NIA): The NIA currently offers 120 eLearning lessons and online training modules for the four Academy certificate programs - UI Operations Integrity Certificate; UI Tax Integrity Certificate, UI Fraud Investigations; and UI Program Leadership. The catalogue of available courses is available at <https://www.naswa.org/learning>.
- Knowledge Exchange: The Knowledge Exchange has become an increasingly valuable tool as it captures information on state practices and makes recommendations to states. Through the Knowledge Exchange, the UI Integrity Center has been able to document specific practices, create model operational blueprints, and effortlessly share that information with all states. Nearly 2,000 resource documents are currently available on the knowledge exchange, including 93 documented successful integrity practices that support the Model BPC Blueprint.

States are strongly encouraged to engage with the UI Integrity Center and to utilize these useful and practical integrity resources.

5. **Inquiries.** Please direct inquiries to the appropriate ETA Regional Office.

6. **References.**

- Section 303 of the Social Security Act (42 U.S.C. 503);
- 20 C.F.R. Section 603.23(b);
- TEN No. 03-20, *Unemployment Insurance (UI) Integrity Center's Integrity Data Hub (IDH) Fraud Alert System*, issued August 31, 2020, https://wdr.doleta.gov/directives/corr_doc.cfm?DOCN=5585;
- UIPL No. 23-20, *Program Integrity for the Unemployment Insurance (UI) Program and the UI Programs Authorized by the Coronavirus Aid, Relief, and Economic Security (CARES) Act of 2020 - Federal Pandemic Unemployment Compensation (FPUC), Pandemic Unemployment Assistance (PUA), and Pandemic Emergency Unemployment Compensation (PEUC) Programs*, issued May 11, 2020, https://wdr.doleta.gov/directives/corr_doc.cfm?DOCN=4621;
- UIPL No. 13-19, *National Directory of New Hires (NDNH) and State Directory of New Hires (SDNH) Guidance and Best Practices*, issued June 7, 2019, https://wdr.doleta.gov/directives/corr_doc.cfm?docn=5373; and
- UIPL No. 19-11, *National Effort to Reduce Improper Payments in the Unemployment Insurance (UI) Program*, issued June 10, 2011, https://wdr.doleta.gov/directives/corr_doc.cfm?DOCN=3036.

7. **Attachment(s).** None