

TRAINING AND EMPLOYMENT NOTICE	NO. 24-21
	DATE May 5, 2022

TO: STATE WORKFORCE AGENCIES

FROM: ANGELA HANKS **AH**
Acting Assistant Secretary

SUBJECT: Encouragement for States to Use the Integrity Data Hub (IDH) available through the Unemployment Insurance (UI) Integrity Center

1. **Purpose.** To provide an update on the IDH Participation Agreement (Version 5.0) and the available services in the IDH. The IDH is an important integrity tool to aid in detecting and preventing UI fraud; all states are strongly encouraged to enter into the updated IDH Participation Agreement in order to take advantage of the IDH services.
2. **Action Requested.** The Department of Labor's (Department) Employment and Training Administration (ETA) requests State Workforce Administrators provide the information contained in this Training and Employment Notice (TEN) to appropriate program and other staff in state workforce systems. All states that have previously executed an IDH Participation Agreement should coordinate with the UI Integrity Center to sign the new Version 5.0.
3. **Summary and Background.**
 - a. Summary – The IDH is available to states at no cost. ETA strongly encourages integration of the IDH as part of all states' UI fraud management operations and/or Benefit Payment Control (BPC) activities to improve program integrity and increase detection and prevention of unemployment compensation (UC) improper payments, including fraudulent payments. The Participation Agreement is an agreement between the National Association of State Workforce Agencies' Center for Employment Security Education and Research, Inc. (NASWA/CESER) and each state and federal agency participating in the IDH and addresses elements such as: roles/responsibilities; data management and security; and other terms and conditions. This TEN announces the recent release of Version 5.0 of the IDH Participation Agreement. Changes reflected in Version 5.0 of the IDH Participation Agreement include strengthening the means for collaboration with the Department's Office of Inspector General, Office of Investigations (DOL-OIG) and federal law enforcement agencies in the detection and prevention of fraud, as well as providing the opportunity for continued innovation within the IDH, such as the opportunity for states to implement the new Bank Account Verification (BAV) service.

- b. Background – The UI system had to rapidly adjust to a drastically changing fraud landscape as a result of the COVID-19 pandemic. For the past two years, UC programs have faced a significant increase in sophisticated and organized identity (ID) fraud. This includes a rise in occurrences of “claims hijacking” also known as “claims or account takeover”, which is a form of ID fraud that occurs when an individual’s legitimate UI account is taken over by a person or group and the benefit payments are re-directed somewhere else by changing key information after the claim has been established (*e.g.*, banking information or mailing address).

Fraud detection and prevention is most effective when states employ a variety of tools, strategies, and resources (*see* Unemployment Insurance Program Letter (UIPL) Nos. 23-20, 28-20 and its Changes, 16-21, and 22-21). ETA is focused on helping states prevent and reduce improper payments, combat fraud, and recover overpayments in the UC programs and has made UI program integrity a top agency priority. ETA efforts to support states in strengthening program integrity have included activities such as providing guidance, technical assistance, and funding to enhance states’ fraud detection and prevention efforts.

The UI Integrity Center, established and funded by the Department and operated by NASWA/CESER, is another key resource available to assist states in their efforts to more effectively prevent, detect, and recover improper payments, including fraudulent payments. The UI Integrity Center supports states in improving UC program integrity by developing and promoting innovative program strategies and recommending operational best practices. The UI Integrity Center also operates the IDH, which is a secure, robust, centralized, multi-state data system that allows participating states to cross-match, compare, and analyze state UC claims data against a variety of datasets. Consistently conducting cross-matches supports the detection and prevention of both eligibility fraud and ID fraud.

The IDH continues to evolve as more states submit data for cross-matching and identify suspicious claim attributes and as new data sources are added. States’ use of the IDH increased significantly over the past two years. In March 2020, 34 states had executed an IDH Participation Agreement to cross-match with the IDH datasets and 21 states were cross-matching against the Suspicious Actor Repository (SAR). Only three states were using the IDH’s relatively new Multi-State Cross-Match (MSCM) functionality in March of 2020. In July 2020, the IDH was enhanced with the addition of the Identity Verification (IDV) solution. As of March 2022, all 53 states have executed an IDH Participation Agreement and 47 states either “regularly” or “partially” use the SAR. Additionally, 43 states are using the MSCM and 35 states are receiving IDV results. All states and the DOL-OIG participate in the IDH’s Fraud Alert System. ETA continues to strongly encourage all states to regularly send UI claims data to the IDH for cross-matching to improve fraud detection efforts, including the ability to identify fraudulent activity occurring across multiple states. The IDH was designed and built using the latest National Institute of Standards and Technology information technology security standards and undergoes regular audits and testing to ensure maximum security.

Program Integrity Includes Fraud Prevention and Equity.

While states are aggressively addressing fraud in the UC programs, such efforts should balance the need to identify and prevent fraudulent activity while ensuring that eligible individuals with legitimate claims get the benefits they are entitled to when they are due. ETA is committed to supporting states in ensuring equity is a key focus in all fraud prevention efforts and a major factor in all discussions in order to address this issue comprehensively and compassionately. Efforts to prioritize equity include ensuring there are alternatives to digital mechanisms of identity proofing; that the mechanisms used to prove identity or indicate potential fraud do not contain racial, ethnic, gender, or other biases; and that data is available to understand the impact of fraud mitigation on efforts to eliminate barriers that prevent full and equal access to UC benefits for all eligible individuals. At the most fundamental level, program integrity within the UI program involves both ensuring that entitled workers are neither underpaid nor overpaid and preventing payments to those who are not entitled to benefits.

4. Additional Activities to Strengthen UC Program Integrity.

- a. **Updated Participation Agreement for the Integrity Data Hub.** The UI Integrity Center recently released Version 5.0 of the IDH Participation Agreement. The Participation Agreement is an agreement between NASWA/CESER and each state and federal agency participating in the IDH and addresses elements such as: roles/responsibilities; data management and security; and other terms and conditions.

Version 5.0 captures two key changes since ETA announced the release of Version 4.0 with the publication of TEN No. 04-20 on August 31, 2020. The changes include strengthening the means for collaboration with DOL-OIG, and potentially other federal law enforcement agencies, as well as providing the opportunity for continued innovation within the IDH. Specifically, the Version 5.0 changes include:

- Authorization for NASWA/CESER to transfer state UC data described in the two bullet points below from the IDH to ETA (only data described in the first bullet below), and to DOL-OIG and other federal law enforcement agencies that meet the definition of a “public official” as defined by 20 C.F.R. 603.2(d).
 - Any IDH data regarding allegations that are reasonably believed to constitute fraud, waste, abuse, mismanagement, or misconduct; and
 - Any cross-match hits and data directly related to cross match hits.
- Acknowledgement that NASWA/CESER may subcontract with third party vendors to provide new IDH services and/or functionalities in the future, and that such subcontractors may be required to retain data for compliance with regulatory and/or audit requirements. States have the ability to opt out of any IDH third-party services as they deem appropriate.

ETA reviewed Version 5.0 of the Participation Agreement and determined that activities conducted consistent with the terms of Version 5.0 of the Participation Agreement would be in compliance with 20 C.F.R. Part 603.

- i. ***Strengthening collaboration with DOL-OIG and federal law enforcement agencies.*** DOL-OIG plays an essential role in working collaboratively with states to investigate fraud in the UC programs. Over the years, joint investigations between DOL-OIG and states have led to successful prosecutions and monetary recoveries. Many of these investigations include successfully pursuing sophisticated multi-state fraud schemes by organized criminal groups involving millions of dollars in fraudulent claims.

ETA issued UIPL No. 04-17, Change 1, reminding states of their obligation to refer allegations that they reasonably believe constitute UC fraud, waste, abuse, mismanagement, or misconduct to DOL-OIG. This is a condition for proper and efficient administration of the UC program under Section 303(a)(1) of the Social Security Act (SSA). This UIPL also required states to disclose confidential UC information related to the Coronavirus Aid, Relief, and Economic Security (CARES) Act, as amended, to DOL-OIG for the purpose of both UC fraud investigations and audits for weeks of unemployment covered by the temporary UC programs under the CARES Act, as amended. Additionally, states that received a grant in accordance with UIPL No. 22-21 under the American Rescue Plan Act for fraud detection and prevention must, as a condition of this grant, disclose all confidential UC information to DOL-OIG for purposes of both investigating fraud and performing audits through weeks of unemployment ending before December 31, 2023.

On July 1, 2021, DOL-OIG issued an alert memorandum¹ requesting that ETA take immediate action to require NASWA/CESER, as an ETA grantee, to refer information to ETA and DOL-OIG on suspected fraud, waste, abuse, mismanagement, or misconduct. Specifically, the DOL-OIG requested that NASWA/CESER share information flagged by the IDH. On June 29, 2021, in its response² to the DOL-OIG alert memorandum, ETA committed to working with NASWA/CESER and DOL-OIG to facilitate the sharing of IDH data with DOL-OIG. These actions included updating the cooperative agreement between ETA and NASWA/CESER to require that NASWA/CESER, with consent from the states, share state UC data flagged by the IDH with DOL-OIG. In September 2021, the cooperative agreement between ETA and NASWA/CESER was updated to include the IDH data sharing requirement. To facilitate this exchange of data with DOL-OIG, NASWA/CESER must also update the IDH Participation Agreement between states and NASWA/CESER to include the states' consent to NASWA/CESER sharing state UC data in the IDH with DOL-OIG.

- ii. ***Providing opportunity for continued innovation, including state implementation of the BAV service.*** The second key change to the IDH Participation Agreement was

¹ U.S. Department of Labor Office of Inspector General, Alert Memorandum, Report Number 19-21-006-03-315, *ETA Does Not Require the National Association of State Workforce Agencies to Report Suspected UI Fraud Data to the OIG*, issued July 01, 2021, <https://www.oig.dol.gov/public/reports/oa/2021/19-21-006-03-315.pdf>.

² ETA's response to Report Number 19-21-006-03-315, issued June 29, 2021, <https://www.oig.dol.gov/public/reports/oa/2021/19-21-006-03-315x.pdf>.

initiated to allow NASWA/CESER to continuously seek out and provide the most up-to-date and effective fraud prevention and cross-matching datasets without the need to update each state's IDH Participation Agreement as new solutions or services are added.

This change also coincides with the addition of the new BAV service discussed in more detail in Section 4.b. below.

b. **Increasing State Participation with the Integrity Data Hub.** The UI Integrity Center is a unique and extremely valuable resource available at no cost to states. ETA strongly encourages states to access UI Integrity Center resources on a regular and ongoing basis to inform and support state integrity strategies, strengthen fraud detection and prevention, enhance fraud management operations and/or BPC activities, and improve overpayment recovery efforts. As discussed in Section 3.b. of this TEN, the IDH continues to evolve and undergo enhancements to include more resources and datasets. As more states regularly submit UI claims data to the IDH, the IDH's ability to detect potentially fraudulent activity is strengthened, which benefits all states and provides increased opportunities to proactively identify and prevent improper payments. Data sources currently available through the IDH include:

- Suspicious Actor Repository (SAR) – allows states to match UI claims against other states' known suspicious claims data. This tool allows each state to benefit from the investigative work of all 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 and Patterns – allows states to cross-match their claims against a database of suspicious e-mail domains and detects suspicious email patterns, that have been associated with fraudulent activity, and flags claims with these domains and/or patterns for further investigation by the submitting state.
- Foreign Internet Protocol (IP) address detection – allows states to receive flags on UI claims filed from IP addresses outside of the U.S.
- Multi-State Cross-Match (MSCM) – states can submit current UI claims for cross-matching and receive notifications when potentially fraudulent claims are filed in multiple states.
- Identity Verification (IDV) solution – provides states with a centralized, front-end identity verification tool by returning identity scoring information, including flagging of false and synthetic identities to help states prioritize investigations of questionable identities. The IDV solution includes a cross-match to the SSA Death Master File to identify claims filed using identities of deceased individuals.

- Fraud Alert System – allows states to share and receive fraud alerts with each other and DOL-OIG, ensuring as emerging fraud schemes are identified they are shared broadly within the UI community and with federal law enforcement.
- Bank Account Verification (BAV) Service – allows states to proactively identify and authenticate bank account information on the UI claim by validating the status of the bank account (*e.g.*, account is open or closed) and providing a level of assurance that the individual identified as the claimant is the bank account owner and/or authorized user prior to initiating the UI benefit payment. The new BAV service was released into IDH production on February 16, 2022.

ETA strongly recommends states take the following three actions to strengthen fraud detection and prevention using the IDH.

1. Submit all initial UC claims to the IDH to take advantage of the numerous fraud detection and prevention cross-matching resources to prevent and detect both eligibility fraud and ID fraud.
2. Work with the UI Integrity Center to rapidly execute IDH Participation Agreement Version 5.0 to take advantage of the BAV service, which is also provided at no cost to states.
3. Use the BAV services any time banking direct deposit account information is changed on a UI claim in order to mitigate occurrences of improper payments due to unemployment ID fraud, including “claims hijacking” and/or “claims or account takeover”.

5. **Inquiries.** Please direct inquiries regarding the information in this TEN to the appropriate ETA Regional Office.

For questions regarding IDH integration and to begin executing IDH Participation Agreement Version 5.0 please contact the NASWA/CESER IDH Team at IDHTeam@naswa.org.

6. **References.**

- 20 C.F.R. Part 603;
- UIPL No. 22-21, *Grant Opportunity to Support States with Fraud Detection and Prevention, Including Identity Verification and Overpayment Recovery Activities, in All Unemployment Compensation (UC) Programs*, issued August 11, 2021, https://wdr.doleta.gov/directives/corr_doc.cfm?docn=4240;
- UIPL No. 16-21, *Identity Verification for Unemployment Insurance (UI) Claims*, issued April 13, 2021, https://wdr.doleta.gov/directives/corr_doc.cfm?DOCN=9141;
- UIPL No. 28-20, Change 2, *Additional Funding to Assist with Strengthening Fraud Detection and Prevention Efforts and the Recovery of Overpayments in the Pandemic Unemployment Assistance (PUA) and Pandemic Emergency Unemployment Compensation (PEUC) Programs, as well as Guidance on Processes for Combatting Identity Fraud*, issued August 11, 2021, https://wdr.doleta.gov/directives/corr_doc.cfm?DOCN=7207;

- UIPL No. 28-20, Change 1, *Additional Funding for Identity Verification or Verification of Pandemic Unemployment Assistance (PUA) Claimants and Funding to Assist with Efforts to Prevent and Detect Fraud and Identity Theft as well as Recover Fraud Overpayments in the PUA and Pandemic Emergency Unemployment Compensation (PEUC) Programs*, issued January 15, 2021, https://wdr.doleta.gov/directives/corr_doc.cfm?DOCN=9897;
- UIPL No. 28-20, *Addressing Fraud in the Unemployment Insurance (UI) 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 (PUA) and Pandemic Emergency Unemployment Compensation (PEUC) Programs*, issued August 31, 2020, https://wdr.doleta.gov/directives/corr_doc.cfm?DOCN=8044;
- 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. 04-17, Change 1, *Requirement for States to Refer Allegations of Unemployment Compensation (UC) Fraud, Waste, Abuse, Mismanagement, or Misconduct to the Department of Labor's (Department) Office of Inspector General's (DOL-OIG) and to Disclose Information Related to the Coronavirus Aid, Relief, and Economic Security (CARES) Act to DOL-OIG for Purposes of UC Fraud Investigation and Audits*, issued August 3, 2021, https://wdr.doleta.gov/directives/corr_doc.cfm?DOCN=5817;
- 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; and
- TEN No. 04-20, *Encouragement for States to Use the Integrity Data Hub (IDH) available through the Unemployment Insurance (UI) Integrity Center*, issued August 31, 2020, https://wdr.doleta.gov/directives/corr_doc.cfm?DOCN=3588.

7. **Attachment(s).** Not Applicable.