TRAINING AND EMPLOYMENT NOTICE	NO. 32-23
	DATE June 27, 2024

TO: STATE WORKFORCE AGENCIES

FROM: JOSÉ JAVIER RODRÍGUEZ /s/
Assistant Secretary

SUBJECT: Unemployment Insurance (UI) Fraud Risk Management Resources

1. **Purpose.** To announce the release of a new UI Fraud Risk Management page on WorkforceGPS under the UI Community of Practice (CoP) and to notify states that the National Association of State Workforce Agencies' (NASWA) UI Integrity Center is a key resource available to support states' UI fraud risk management efforts.

2. **Action Requested.** The Department of Labor's (Department) Employment and Training Administration (ETA) requests State Workforce Agency Administrators provide the information contained in this Training and Employment Notice (TEN) to appropriate program and other staff in the state UI system, and ensure these staff have access to the WorkforceGPS UI CoP UI Fraud Risk Management webpage by creating an account and logging on to view content.

   ETA and the Department's Office of the Chief Financial Officer (OCFO) developed the UI Fraud Risk Management page for the UI CoP and seeks feedback and suggestions to continuously improve the content provided for each topic. State staff are encouraged to share feedback with their ETA Regional Office, including state best practices in fraud risk management that could assist other states in operating their UI programs.

3. **Summary and Background.**

   a. Summary – This TEN announces the availability of a new UI Fraud Risk Management page on WorkforceGPS under the UI CoP, which was developed to provide states with information on the Department's UI fraud risk management activities and provide a dedicated place to update states on important new UI fraud risk mitigation strategies and initiatives. This notice also informs states that the NASWA UI Integrity Center is available to support states' UI fraud risk management efforts.

   b. Background – The Government Accountability Office (GAO) issued two reports[1] recommending the Department assess fraud risks to the UI program in alignment with

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[1] GAO-22-105051, *Additional Actions Needed to Improve Accountability and Program Effectiveness of Federal Response*, published October 2021, https://www.gao.gov/assets/gao-22-105051.pdf and GAO-23-105523, *Unemployment Insurance: Data Indicate Substantial Levels of Fraud during the Pandemic; DOL Should Implement an Antifraud Strateg*y, published December 2022, https://www.gao.gov/assets/gao-23-105523.pdf.

GAO's Fraud Risk Framework[2]. In response to the GAO's recommendations, ETA and OCFO collaborated on a comprehensive fraud risk assessment project to ensure the Department's fraud risk management activities and ongoing risk mitigation efforts are conducted in alignment with the leading practices found in GAO's Framework for Managing Fraud Risks in Federal Programs. As part of this project, ETA and OCFO worked in partnership to create a UI Fraud Risk Profile and continuously evolve the UI Integrity Strategic Plan to communicate the national UI antifraud strategy more effectively. The UI Integrity Strategic Plan highlights ETA's risk mitigation actions and links each antifraud control back to the highest residual risks identified in the UI Fraud Risk Profile.

On June 30, 2023, ETA issued the Fiscal Year (FY) 2024 Additional Planning Guidance for the State Quality Service Plan (SQSP), which included details regarding the Department's fraud risk management efforts and the development of the UI Fraud Risk Profile (*see* Unemployment Insurance Program Letter (UIPL) No. 09-23). The FY 2024 SQSP guidance highlighted that both the Department and state UI agencies are responsible for ensuring UI program integrity. As part of the FY 2024 SQSP process, ETA requires each state to submit an Integrity Action Plan (IAP) reporting on their plans to evaluate UI fraud risks and implement and maintain sufficient controls to effectively prevent fraud and reduce improper payments, which also included actions to develop state-specific antifraud strategies. The FY 2025 IAP will require states to report their actions regarding UI fraud risk management and progress in the development of antifraud strategies.

Additionally, on July 13, 2023, ETA issued UIPL No. 11-23, providing funding to states to strengthen the integrity of the UI system and outlining the required and recommended UI program integrity functions and overpayment recovery activities. The guidance identified the purpose of antifraud strategies, provided information on evaluating outcomes and adapting activities to improve fraud risk management, and encouraged states to leverage funding opportunities to develop multi-faceted, state-specific antifraud and UI modernization strategies.

Furthermore, in recognition of the UI system's challenges before and during the COVID-19 pandemic, the GAO placed the UI program on its High-Risk list on June 7, 2022, and recommended that the Department "develop and implement a plan for transforming the UI program that meets GAO's high-risk criteria for transformations." The Department agreed with the recommendation, and, on April 5, 2024, the Department published the UI Transformation Plan, titled *Building Resilience: A comprehensive plan to transform unemployment insurance*. The action areas and strategies laid out in the plan respond to the lessons of the pandemic and details the activities and strategies already completed, those underway, and actions being pursued by the Department. It also contains recommendations for legislative action that directly address the critical challenges identified by GAO.

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[2] *See A Framework for Managing Fraud Risks in Federal Programs* at https://www.gao.gov/assets/gao-15-593sp.pdf.

The UI transformation plan, UI Fraud Risk Profile, and the UI Integrity Strategic Plan, represent the Department's holistic approach and steadfast commitment to strengthening the integrity of the UI program, by ensuring integrity and antifraud strategies support states with fraud risk mitigation and improper payment reduction. Through continuous exploration, research, investments, and partnerships, the Department will continue to provide states with the most effective tools, resources, training, strategies, and guidance to aid state UI agencies in the fight against fraud.

4. **UI Fraud Risk Management Resources.**

   a. **UI Fraud Risk Management Page** – The purpose of the UI Fraud Risk Management page on the UI CoP is to provide transparency on the Department's UI fraud risk management activities. This new page is designed to offer insight on the development of the UI Fraud Risk Profile, discuss the Department's risk tolerance for the UI program, highlight roles and responsibilities for UI fraud risk management, and provide resources to state UI agencies to aid in the development of state-specific antifraud strategies. The page will also provide states with the national UI fraud risks, including the Department's ranking of likelihood and impact for each risk, as identified through the development of the UI Fraud Risk Profile. Furthermore, this page will reside behind the UI CoP firewall, allowing the Department to provide states with updates regarding ongoing UI fraud risk management activities and evolving fraud risks and mitigation efforts in an access-limited environment.

   As states conduct fraud risk assessments on their UI programs, states should include the national UI fraud risks, in addition to state-specific risks and vulnerabilities, in the development of their fraud risk management plans and antifraud strategies.

   b. **Resources Available to Support States in Developing UI Fraud Risk Management Efforts.** The Department requested NASWA's UI Integrity Center to develop a program that supports states' UI fraud risk management efforts. In response, the UI Integrity Center created a State Services program offering states the opportunity to have a virtual and/or on-site visit from national UI subject matter experts to help identify and assess UI fraud risks, evaluate the effectiveness of fraud risk mitigation efforts, and document antifraud strategies to address state-specific UI program vulnerabilities.

   Drawing from the GAO's Fraud Risk Framework, the UI Integrity Center's service walks through the four elements for effectively managing fraud risks (Commitment, Assessment, Design and Implementation, and Evaluation and Adaptation), while leveraging established evaluative and analytical expertise from UI subject matter experts.

   To request support from the UI Integrity Center in developing a comprehensive antifraud strategic plan please contact integrity@naswa.org.

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

6. **References.**
    - Social Security Act (SSA), sections 303(a)(1) and 306 (42 U.S.C. 503(a)(1) and 506);
    - Payment Integrity Information Act (PIIA), Pub. L. 116-117 https://www.congress.gov/116/plaws/publ117/PLAW-116publ117.pdf;
    - Appendix C to Office of Management and Budget (OMB) Circular A-123, Requirements for Payment Integrity Improvement https://www.whitehouse.gov/wp-content/uploads/2021/03/M-21-19.pdf;
    - Government Accountably Office, *A Framework for Managing Fraud Risks in Federal Programs,* https://www.gao.gov/assets/gao-15-593sp.pdf.
    - UIPL No. 11-23, *Announcement of Grant Opportunities and National Identity (ID) Verification Offering under the American Rescue Plan Act (ARPA)*, issued July 13, 2023, https://www.dol.gov/agencies/eta/advisories/uipl-11-23;
    - UIPL No. 09-23, *Additional Planning Guidance for the Fiscal Year (FY) 2024 Unemployment Insurance (UI) State Quality Service Plan (SQSP)*, issued June 30, 2023, https://www.dol.gov/agencies/eta/advisories/UIPL0923; and
    - Employment and Training (ET) Handbook No. 336, *Unemployment Insurance (UI) State Quality Service Plan (SQSP) Planning and Reporting Guidelines*, 18th Edition, Change 4 (March 2019), ET Handbook No. 336, 18th Edition, Change 4.

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